The MAGAZINE of WALL STREET
and BUSINESS ANALYST

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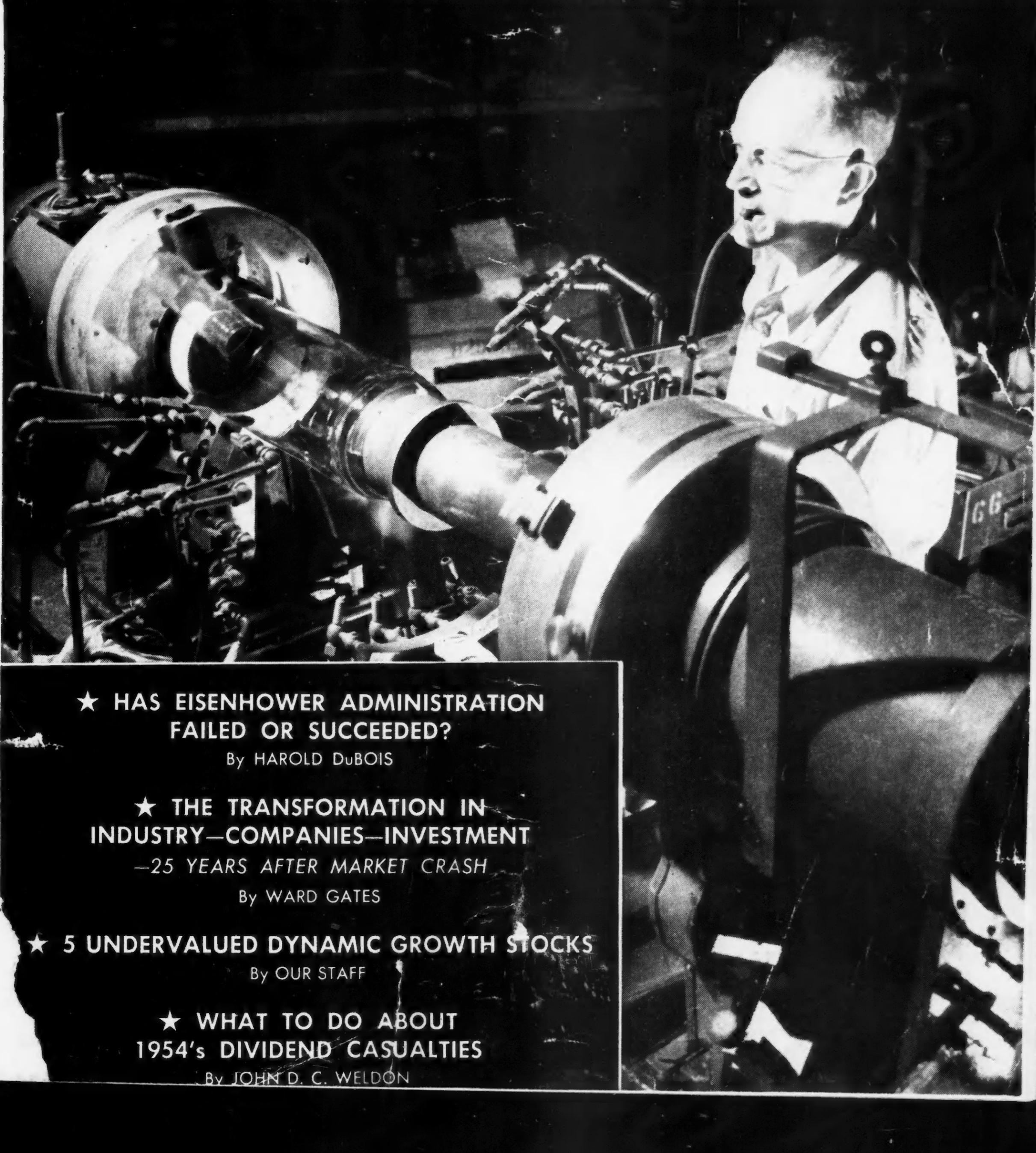

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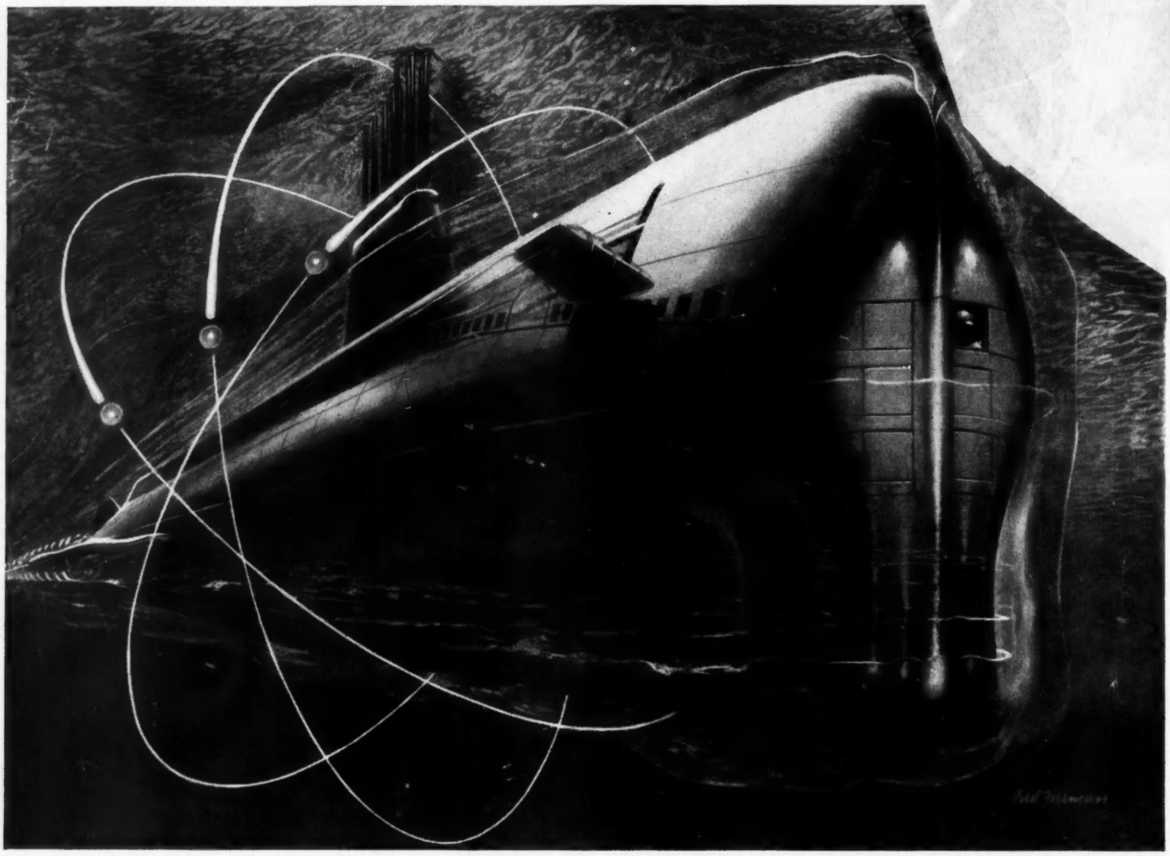

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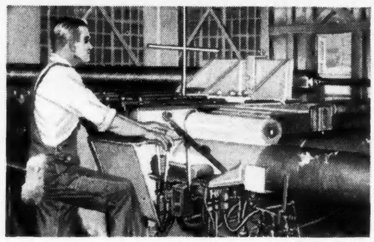
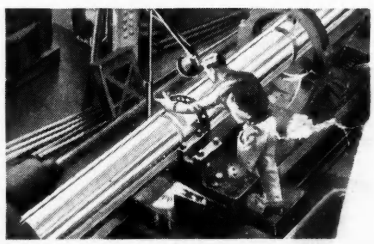


A snorkel intake tube being machined to very precise tolerances on one of the large lathes in the Groton plant.



Hydraulic bender shapes section of 8- steel pipe in two minutes. This operat formerly took a full day.

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THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

Member of Audit Bureau of Circulations

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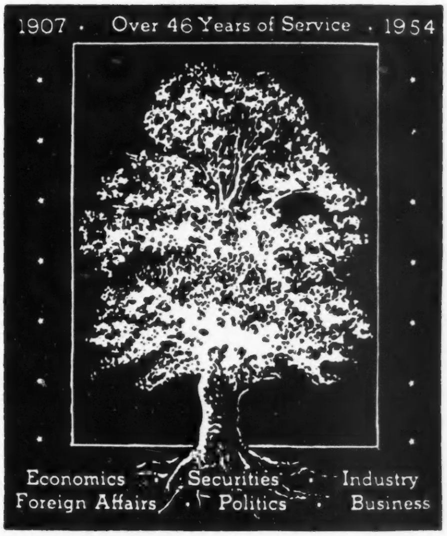
THE MAGAZINE OF WALL STREET

C. G. Wyckoff, *Editor-Publisher*



The Trend of Events

A GUIDE TO BETTER LABOR-MANAGEMENT RELATIONS . . . The recent acceptance of a wage cut at the Studebaker plant, proposed by the workers themselves, was a sensible choice under the conditions. Still, it does not seem to have required too great a calibre of intelligence to prefer working at $2 an hour, instead of being jobless at $2.30 an hour. While the Studebaker-union agreement was necessary, it was, after all, very much like locking the barn after the horse is gone. It would have been far more effective for both workers and management if the unions had shown a realization of what was required a year or two ago, when it became apparent the company was facing difficulties.

A nice contrast in the timing of a show of good-will between management and labor is afforded by the current venture of Minneapolis-Honeywell Regulator Co., the largest employer in Minneapolis, and the A F of L Teamsters' union, the largest in the city. In this instance, labor and management is joining in a practical move to eliminate waste in order to hold profits up and to maintain full employment. The union wants to assure itself a stake in the company's prosperity and is doing all it can to help. This, it seems to us, is taking the right step at the right time. Other unions can profitably take a leaf from this Teamsters' union. If unions can help management make or save money when it will do the most good, the advantage obviously is to the worker as to the company.

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

A FAIR EVALUATION . . . It is an eloquent commentary on the unprecedented era through which we are passing that President Eisenhower's program is being criticized by two diametrically opposed political factions. Both extremes find fault for entirely different reasons. The conservative wing of the President's party objects to some of his more progressive policies and the radical wing of the Democratic party believes he is moving too slowly.

In between, the great body of voters is in a state of confusion because it has no clear idea of what the President's program really is. It is true that he has time and time again enuniciated his middle-of-the-road policies and Administration spokesmen have valiantly tried to make his objectives clear to the public.

Perhaps it is because the President's program, in most phases, is undramatic and rather pedestrian in tone that the public finds it difficult to arouse any great enthusiasm though it demonstrates the warmest regard for the President himself. Yet, what the Administration set out to do at the start was absolutely necessary, if we were to come anywhere within reaching distance of a sound economy. Years of high employment and full production, arising from war and war preparation, obscured from the American people the fact that the underpinnings of the economy were slowly being sapped. Many of them have no awareness of this danger even yet.

Perhaps the Administration

Business, Financial *and* Investment Counsellors : : 1907—*"Over Forty-six Years of Service"*—1954

spokesmen and, especially, the President, need to do more spadework in the months ahead to familiarize the public with his objectives in greater detail. It is therefore not a campaign matter, or merely a question of which Congressman or Senator is to be elected. Vastly more important is the all-compelling need to educate the American people to the fact that the effects of 20 years of radical government which preceded the present Administration has left a heritage of problems, vast in extent and which will take years of patience on the part of the people and the Government alike to solve. Therefore, it is now a national problem, not a party problem.

(In an article on this subject appearing in this issue, "Has the Eisenhower Administration Failed or Succeeded?", the basic factors are penetratingly and objectively presented.)

THE ANTI-TRUST BOMBSHELL . . . The Attorney General's refusal to sanction the Bethlehem Steel-Youngstown Sheet and Tube merger is likely to have an upsetting influence on all current negotiations involving mergers, acquisitions and similar corporate undertakings. Close students of the present anti-trust law, and the provisions of the Democratically-sponsored 1950 amendment, have known for some time that the Government would block some pending mergers.

Under this amendment, where a merger contains a potential that might lead to establishing a monopoly, the Government is required to intervene as it did in this case. Obviously, the situation has far-flung ramifications, particularly in view of the hundreds of pending mergers, whose picture has ever been uncertain.

The developing situation is a striking example of how Federal laws governing business may be out of step with changing conditions which were not anticipated when the laws were enacted. The present economic situation which reflects the highly competitive conditions under which industry operates is a compulsive factor in the massive trend toward mergers in the past year. If business is to be permitted to function more profitably, it is imperative that corporations seeking to merge for valid reasons should not be discouraged from so doing. Yet, if the present law stands, this is precisely what is likely to happen. It is important, therefore, that the Attorney General, who is fully aware that the anti-trust law must be amended in many important respects; intends to go before the next Congress to request the necessary legislation. It should be possible for Congress, after full investigation, to enact a law which will define monopoly in such a way as to protect the public without at the same time halting legitimate efforts of business to meet the pressing problems of the day.

INVESTMENTS AND THE SCIENTIFIC AGE . . . Scientific accomplishments, many of them beyond the comprehension of the ordinary man or woman, are destined to have the most far-reaching effects on investments in future years. Entirely new industries are being created, before our very eyes, as it were. To mention a few: electronics which has already separated itself from one general field into many separate branches; radar, sonar, loran, not to mention the most advanced forms of micro-wave communication and highly specialized electrical control systems. In the more familiar field of industrial electronics, we have: the fabulous "brain machines," and extreme forms of electronics printer.

Jet aircraft, in just a few years, has swiftly approached dimensions as to range, speed and size which dwarf the imagination. Even more spectacular are the new guided missiles, of which the public is now dimly becoming aware. Add to this ground-directed aircraft, and we obtain an amazing picture of revolutionary developments that are swiftly changing the whole structure of military science.

No less swift has been the progress in the creation and development of synthetic products, reaching into countless industries; and, disconcertingly, rendering many products and processes obsolete within a space of their introduction to the public.

Above all, with respect to its influences on the future of mankind, is atomic energy. This will bring into being an entirely new age, as different from ours, advanced as it seems to be as ours is from the primitive days when the steam-engine was first discovered.

Under the impact of this Niagara of scientific achievement, the investor is obliged to keep abreast, not only to take advantage of the new opportunities that are opening up but, to disengage himself from those securities which may not fare well in the new age of dynamism. Obviously, it will be more important than ever to keep constantly informed as to significant changes taking place.

HELP FOR THE RAILROADS . . . With the nation's carriers in the poorest earnings position since the ending of World War II, it is not surprising that the Association of American Railroads should appeal directly to the government for relief. Aside from the current losses in revenue caused by a slump in car loadings, the roads feel that they are fundamentally handicapped because of certain long-standing government controls. These particularly involve principles of federal regulation which adversely affect the carriers as compared with regulations affecting airlines, ship and truck operators. It has long been said that the railroads are suffering under conditions which make it difficult for them to compete with other forms of transport. Only the government, through a change in statutes, bearing on controls of the Interstate Commerce Commission can bring about a more equitable situation.

The Association of American Railroads, therefore, appealed directly to the President who, in sympathetic response, requested them to make recommendations as to the changes desired. One of the most important recommendations deals with taxes. The roads want their competitors to be taxed more, or less taxation for themselves. Obviously, excess taxes paid by the roads is one of their greatest burdens in meeting competition.

The President has appointed a special Cabinet committee to study the recommendations and make their own report on which future action can be based. There is no doubt that such action is needed if the roads are to escape government operation eventually. Under present conditions, only a handful of the stronger roads are in a position to effectively resist the inroads of their (*Please turn to page* 116)

As I See It!

By JOHN CORDELLI

MUCH YET REMAINS TO BE DONE

Before we throw our hats into the air in jubilation over the successful conclusion of the 9-Power Conference at London, let us see what actually was accomplished. The sudden collapse of EDC, precipitated by the French Assembly under the ambiguous leadership of Mendes-France, left such a gaping void in the European Defense System that it was imperative for all hands, including the French, to close the gap at once.

When John Foster Dulles, realizing the extreme danger to America, as well as Europe, rushed back to London, he astutely refused to take the centre of the stage but, working brilliantly behind-the-scenes, managed to convince Churchill and Eden, against traditional British policy, that the only step which could save the day would be for them to pledge that British troops would stay on the Continent indefinitely. Dulles made sure that the French would agree by promising that American troops also would stay to reinforce the defense. After these important gestures, the original stumbling block to ratification of a real defense system against Soviet aggression was removed. Yet many barriers remain before final success can be achieved.

INTO THE OPEN—HOPING FOR THE BEST

With apologies to Dowling, N. Y. Herald-Tribune

Directly following the London Conference, additional Conferences between the Powers were scheduled for the end of the month at which the recent 9-Power agreement "in principle" must be implemented. This will be anything but a simple matter.

In the first place, before the French Assembly will even consider ratification, the old dispute between France and Germany over the Saar territory will have to be settled. Judging by the history of the negotiations over the Saar, during the past few years, it will be a miracle if an agreement can be reached in time to affect the decision of the French Assembly which will probably be made some time in November.

Neutralist influences in Germany have been growing. This is attested by the defeat of Adenauer in the recent elections in Schleswig, in which the advocates of unification rather than re-armament won a striking victory. Molotov's hypocritical blandishments are not without effect among Adenauer's opponents in the Bundestag.

Under any conditions, and even if the 12 German divisions are finally brought into the European Defense System, it will take two to three years before the divisions can be recruited and trained. So that, in effect, there will be no German army for quite a considerable period ahead. This offers the Russians endless opportunity for mischief and they can be relied on to try to spike German re-armament up to the last minute.

There are other potentials for trouble in the shaping of a defense structure for Western Europe. There is the question of whether there is to be an over-all armament pool for the Treaty Organization members, outside of Britain. Under the new set-up, it looks as though there will be two controls for armaments, one under NATO and the other under BRUTO, the nomenclature concocted for the Brussels Treaty Organization. A great deal obviously, will have to be done before an effective control can be established and other technical problems worked out. Presumably, this will be left to the experts, but one can easily see that national pride and needs will arise to throw more than one monkey-wrench into the machinery that is now being constructed for the defense of Europe.

Naturally, all we Americans can do is to give every possible assistance and moral encouragement to those entrusted with the enormously complex task of creating a workable substitute for EDC. Still, we should remember (*Please turn to page* 118)

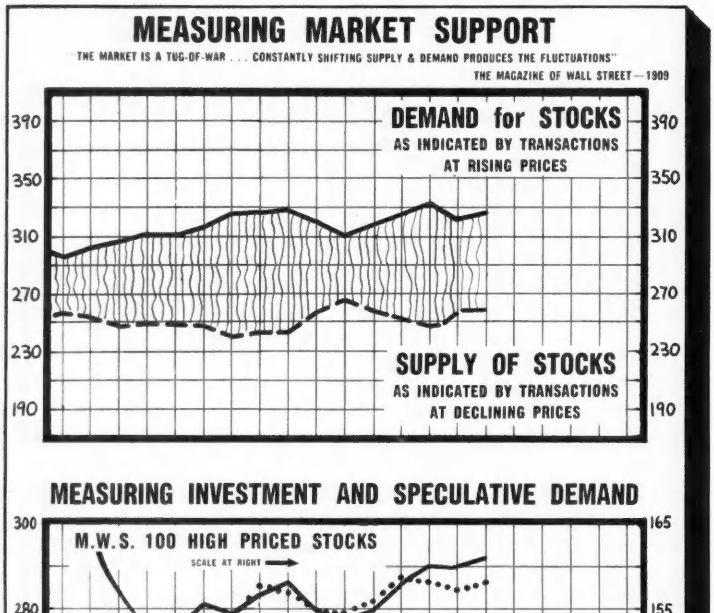
To What Extent Is Market Ahead Of Business?

After sharp September rise, October movement of average stock prices has been restricted so far. It may remain so for a while, in view of election uncertainty and of the degree to which prior advance has outrun business, earnings and dividends. However, special-situation profit opportunities will no doubt continue to develop in a highly selective market.

By A. T. MILLER

There was no significant net change in the general market position over last fortnight, with the Dow industrial average up slightly and rails about where they were two weeks earlier – both averages having done no more than back and fill within a fairly restricted range during the period. On the other hand, the trend of utilities pretty much through the fortnight was mildly downward. It is true that the industrial average attained a new bull-market high on October 6, but it bettered the last prior high, recorded September 28, by little more than one point. The pattern of industrials and rails during the two weeks was: (1) moderate recession through most of the first week; (2) some improvement last week, which showed tentative indications of petering out late in the week.

The market's long and large rise from the September, 1953, lows has proceeded in the usual irregular manner: at times fast, at times slow, at times interrupted by corrective reactions. Its initial phase was fast, followed by a corrective pause last December. Its rise during most of the first five months of this year, excepting a small February gain, was fast. Despite further progress, the chart pattern became more "jagged" in June, July and August, with corrections developing more frequently, with August resulting in a contra-seasonal net decline and with the late-August sell-off of nearly 15 points by the industrial average the sharpest setback encountered during the entire advance to date.

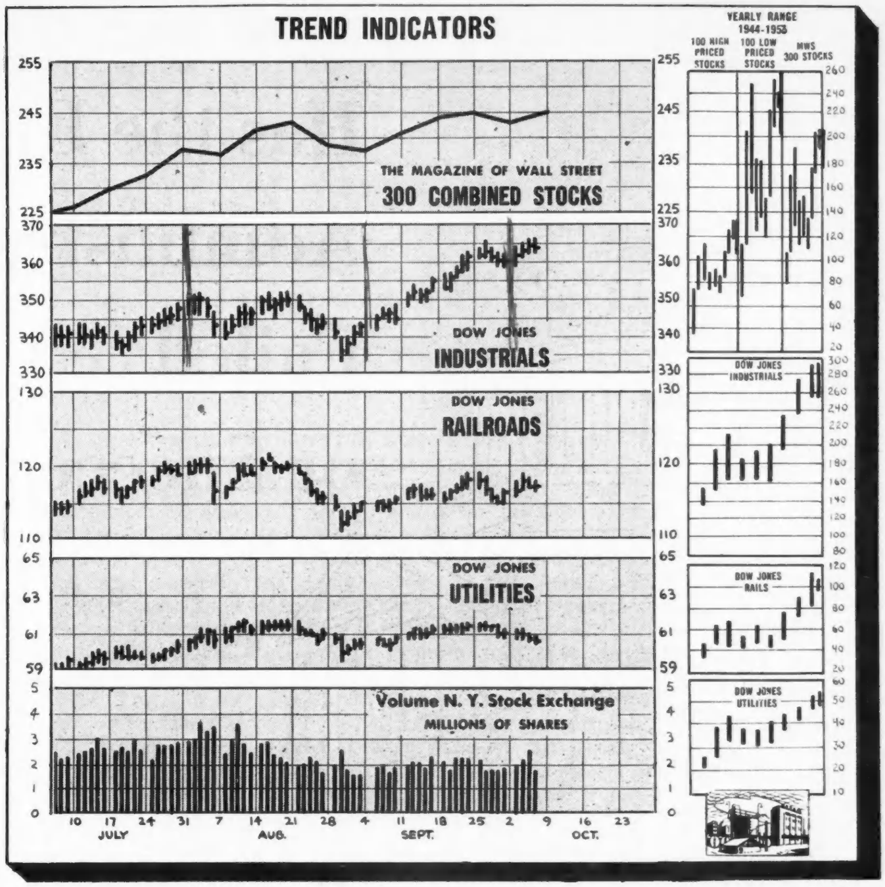


October Expectations

It is now history that the latter reaction was taken by institutional and other investors as opportunity to buy, rather than reason for selling—with the result that through the greater part of September there was virtually a straight-line rise in average industrial stock prices of the largest scope seen in some years. Add to precious advance, it pared average dividend yields on representative industrials to around 4.3%, compared with about 6.3% at the market's low of September, 1953. It lifted prices of representative industrials to around 13 times earnings, against about 8.5 times at the starting point of the advance. Measured by these criteria, as well as by the spread between stocks and bond yields, the market has not yet reached the extremes seen at the cyclical highs of 1929, 1937 or 1946.

But, in terms of absolute stock yields, it is close to the 1937 high; and, in terms of differential (in favor of stocks) between stock and bond yields, it is close to the 1946 high. The market is probably not seriously vulnerable, since the advance has been supported mainly by cash buying, mostly for longer-term investment; since such speculation as is evident is principally along discriminating special-situation

lines; and since we do not face a deflationary prospect, as far ahead as can now be seen, for economic activity, money rates, average corporate earnings or dividends. Among these factors, business activity appears subject to mild fourth-quarter improvement, which may extend into 1955; easy-money rates can be expected to continue, but not to get much, if any, easier; average corporate profits, restrained by highly competitive conditions in many lines, probably will continue close to present levels at least over the medium term, even with a modest improvement in business; and dividends, including the year-end extras now not far ahead, figure to edge moderately higher in the aggregate.



In any event, stocks are a great deal less cheap than they were earlier. The market has long been out-running business activity, earnings and mildly-rising dividends — feeding more on confidence and hope, less on the tangibles. It is hard to see where any fresh general stimulus for strong further advance is to come from any time soon, and even harder to see how October can reasonably be expected to come anywhere near matching September in market behavior, or why it should not logically be, at best, a month of "jagged" performance as the Congressional elections approach.

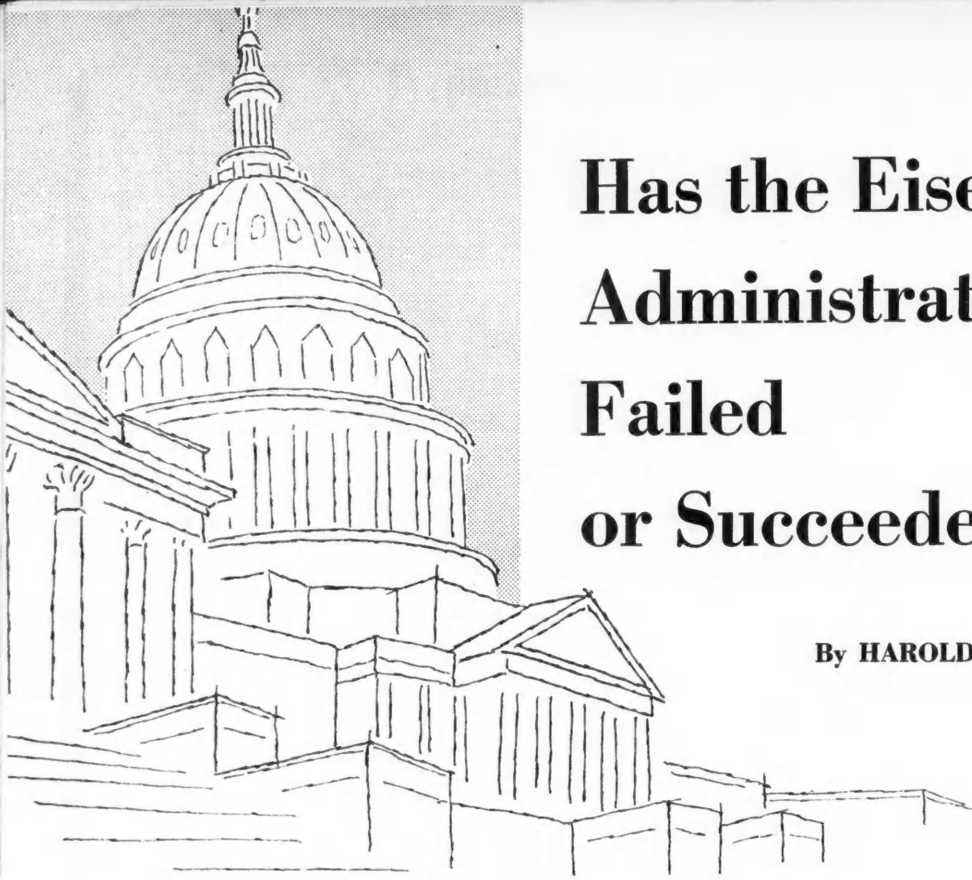
The market has used up the earlier stimulus of tax relief, including EPT lapse and the moderate tax credits for dividend income. It no longer has the decisively important support of falling money rates (rising bond market and lower bond yields). Can it make any more out of confidence in the Administration's pro-enterprise policies, when present indications suggest that the Democrats have a good chance of taking control of the House, and that they might take the Senate also? Having risen throughout most of the recession in business, and throughout the levelling-out months for business, can the market see much to discount, via further rise, in the prospect that business is now likely to get moderately more active in nearby months? We would say that the answers to these questions, if not negative, are at last uncertain.

Both in the September rise and more recently, the industrial section has had "to carry the ball," getting no positive help from either rails or untilities. Both the latter averages have failed to better their bull-market highs of early August. Among industrials, prformance remains highly selective. In the latest week, stock groups showing above-average strength, some of them at new highs and many of them groups which have been popular for some time, included air transport, auto parts, chemicals, building materials, copper, finance companies, farm equipments, machinery, oil, paper, steel, textiles and tires.

Search for Special Situations

Stocks continue to respond sharply to good news as regards splits dividends, earnings, etc.,—or to advance rumors and "insider" knowledge about coming good news. A recent example was the large run-up in Borg-Warner, prior to announcement of a three-for-one split. Demand for a good many higher-priced stocks reflects market expectation (which might prove wrong in some cases) of splits, sizeable stock dividends, raised cash rates or substantially larger year-end extras than were paid a year ago, or some combination thereof. The many examples include Gneral Motors, du Pont, Goodyear Tire, Firestone, Goodrich, Gillette, Reynolds Metals, Armstrong Cork, Bendix Aviation, Columbia Broadcasting, Lilly Tulip Cup, Minneapolis-Honeywell and Standard Oil (New Jersey).

Steels became outstanding features of the market late last week, rising further in an irregular and slightly soft market. It is evident that the industry has turned the corner and that operations in the fourth quarter will be at a higher rate—perhaps as much as 75% of capacity, or a little more, on an industry average. How- *(Please turn to page 118)*



Has the Eisenhower Administration Failed or Succeeded?

By HAROLD DuBOIS

The story is told of a little boy who, as a gesture of independence, ran away from home one summer's afternoon. After two or three hours he grew tired, hungry and lonesome and returned where, to his disgust, he found he had not been missed. Determined to compel attention to his escapade, he said: "I see you still have the same old furniture."

That seems to be pretty much the attitude of a segment of the American people in relation to financial and economic development since the advent of the Eisenhower Administration. A measure of surprise and disappointment is expressed because no radical changes are noticeable. There seems to have been no general realization that the entire picture could not possibly have been changed in the relatively short time the new Administration has been in office. Indeed, to have brought about sudden sweeping changes, if possible, doubtless would have been less than desirable.

Yet, actually, there have been quite notable changes in the furniture of the nation's fiscal house. Federal taxes have been reduced some $7.4 billion and the entire internal revenue code has been revised to remove substantial inequities which burdened the business community and acted as a brake upon fresh enterprise. While there has been a temporary increase in the public debt, it is by both policy and law temporary (the $6 billion debt limit increase expiring next June 30) the inflationary spiral has been halted and a start made on an improvement in the composition of the debt. Perhaps most important of all, and arising from these factors, is the fact that the purchasing power of the dollar has varied considerably less than one cent since the Administration took office.

A Striking Comparison

Undramatic and seemingly static phenomena do not impress the public but the clear fact is that, had not the policy been changed and adhered to the debt today almost unquestionably would have been $300 billions or more, the deficit from $10 to $15 billions instead of an estimated $4.7 billions and the purchasing power of the dollar less that fifty cents!

The American mind has always been attuned to haste and the pressure for immediacy is never absent and nearly always thoughtless. Everyone almost has noted that, with elections in November, and with an Administration not taking office until the following January, still many voices will be raised in that interim wanting to know why something hasn't been done although the new regime has not even been sworn in! So usually conservative a newspaper as The New York *Times*, among others, only the other day seriously asked editorially if the fact that the structure of the Public Debt has not been reconstituted means that the Government has abandoned its fiscal reform policies or has failed in efforts to carry them out!

The vast Public Debt, so largely a heritage of the last two Administrations which pursued an opposite policy, is of a weight almost beyond ordinary human comprehension. Also, the issues of which it is made up have various periods to run, periods which can not be shortened. Different segments of the Debt bear differing rates of interest. These are not sub-

ject to instant change. Reconstituting the structure of the Public Debt is not at all like getting change for a dollar at the corner drug store! It is a long and tedious process, hedged about by law and fiscal contract

There has been no abandonment of debt policy nor has there been any failure in the program for a remodelling of the debt structure. Perhaps it is not widely understood that the Public Debt – which doubtless many people think of as one gigantic I.O.U. –is made up of some sixty different issues, for varying amounts, running for various terms and bearing varying rates of interest, terms of redemption and handling. The average banker, business man and investor thinks of the Panama Canal as an enterprise undertaken when he was in school. Yet a part of this Public Debt of today consists of $50 million of Panama Canal bonds dating back to 1911!

Another thing: the Public Debt is a living debt. Because of maturities, refunding and new issues, long or short term, there is a constant change in the composition of the Debt, the most inexorable change of all arising from the passage of time. The 20-year issue of last year is a 19-year issue today.

Because of two World Wars and the Korea struggle and because of a policy which for two decades pursued the practice of deficit financing, the Treasury now must pay an *annual interest bill six times the amount of the principal of the Public Debt at the beginning of the First World War.* No living person will see this mountain of obligations very materially reduced. Aforetime, the Public Debt was of minor importance, almost of no importance as a factor in the national economy. Now it is a major factor, its size and handling being of the first importance as an influence on general monetary policy, on tax programs and, indeed, upon the entire economic edifice.

Future Weight of Debt Less

At present the ratio of the Public Debt to the national income is figured at 74 per cent. Economists predict that, even without inflation, the national income could double in 25 years. If this occurred and even if the Public Debt remained as it now stands, the ratio of debt to income would be reduced to 37 per cent.

Still another consideration, seemingly overlooked by hasty-minded persons impatient for quick reforms, is that this or any other Administration does not have the entire budget or any substantial part of it to juggle around. The limits within which the Administration can move are narrow in comparison with the entire fiscal problem. An absolutely fixed sum, about $6,635 billion must be set aside for payment of interest on the Public Debt. Any failure or delay there would mean collapse of the national credit. Then there is the current budget item of $4,458 billions for veterans. That appears to be an irreducible sum.

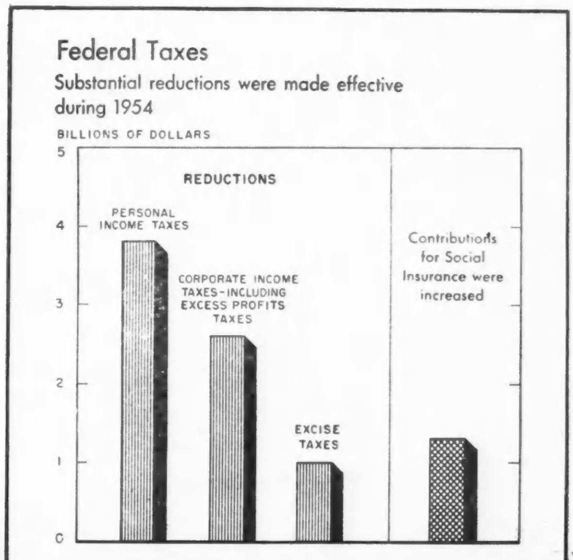
Even the most hard pressed citizen is not going to advocate abandonment of the national defense. The present Administration has cut the current Budget estimate for national defense to $41.9 billion compared with $46.2 billion last year and $50.2 billions in 1953. There is the Social Security item of $1.9 billions in the current Budget. These and other immutable charges mount up to around $63 or perhaps $64 billions. With a total Gross Budget estimate for fiscal 1955 under the revised figures announced only the end of last month of $75.4 billions it appears that the Administration has not the overall figures but only about eleven or twelve billion dollars to juggle around.

Even with debt refunding, the process of saving on interest is a slow one. In the last year, about $240 million has been saved in interest through alterations in the debt–refundings, replacements of old issues with new ones and the like but this makes a very slight dent in either Debt or Budget. The narrow area in which savings can be made is one occupied by the fully accoutred pressure groups ready to fight on Congressional battlefields for the last dime of subsidy they can extract. It is there the problem lies.

Political Use of Taxation

Two diametrically opposed theories of government are emphasized by the huge Public Debt. War always means waste but it is argued that the cost of war has been greatly increased because of concomitant fiscal policies which contributed to the decreasing purchasing power of the dollar; that is, social theories of taxation and public expenditure made the cost of war higher than it otherwise would have been. Certain it is that the Debt was built up to a point where annual interest amounts to almost twice the yearly cost of operating the Government before the New Deal!

It became the avowed policy of the New Deal to employ taxation not solely to raise revenue for operation of the Government and the conduct of the wars but as a leveling process. The merest novice in the economic field knew that outright confiscation of all the great fortunes, including the surpluses of corporations carefully amassed to meet future expansion and tide over lean periods, would not suffice to meet the charges of Government as the New Deal conducted it. Furthermore, it was plain that such confiscation destroyed income producing capital. Therefore, it is entirely plain that the policy was pursued because it was believed that there was something almost criminal about the possession of wealth. It must be seized for distribution in various



Striking Changes in Federal Estimates

FEDERAL AGENCIES WHOSE CURRENT ESTIMATES FOR 1955 EXCEED THE JANUARY, 1954 ESTIMATE
(In Millions)

January Estimate		Excess of Current Estimate
$ 3,893	Veterans Administration	$ 406
$ 85	Housing and Home Finance Agency	$ 1,000
$ 1,185	Department of Agriculture (Except C.C.C.)*	$ 105
$ 973	Department of Commerce	$ 485
$ 1,804	Health, Education and Welfare	$ 155
$ 89	Post Office Department	$ 235
$ 155	General Services Administration	$ 376

*Commodity Credit Corporation costs dependent on volume of crops unknown in advance.

FEDERAL AGENCIES WHOSE CURRENT ESTIMATES FOR 1955 ARE LESS THAN THE JANUARY, 1954 ESTIMATE
(In Millions)

January Estimate		Current Estimate Saving
$ 2,500	Mutual Military Program	$ 512
$ 1,010	Economic and Technical Aid	$ 216
$ 1,366	Atomic Energy Commission	$ 156
$30,993	Military Functions	$ 1,334
$ 6,875	Treasury Including Interest on Debt	$ 240
$ 86	Federal Civil Defense	$ 37
$ 142	Tennessee Valley Authority	$ 22

welfare adventures. It was inevitable that such a policy should prove inflationary and that the purchasing power of the dollar should decline.

For a period of 144 years the Federal Government was conducted on a rule of solvency which only wars and extraordinary economic situations disturbed and then only briefly. Before the First World War, the United States Government spent more for a war than any other government previously had spent in the history of the world for a like period; that is the War of the Southern Secession. Nearly three billion dollars was added to the Public Debt. Yet in the very next year, 1866, the Treasury balanced its budget!

Rise in Public Debt

The First World War saw the Public Debt rise to more than $25 billions. But thereafter the Debt was curtailed at the rate of a billion dollars a year and for thirteen successive years there were Treasury surpluses!

It was not until the advent of the New Deal that the old American ideal of solvency was discarded. Not only was the leveling theory given full play but there actually arose an entire school of economists, largely ruling that first White House Brain Trust, which espoused the tenet that debt, instead of something to avoid, was in fact a public blessing. It was urgently pointed out that the debt was owed to ourselves; that a great volume of public securities outstanding added a sort of dignity to the state and that, in general it was more blessed to owe than to be solvent!

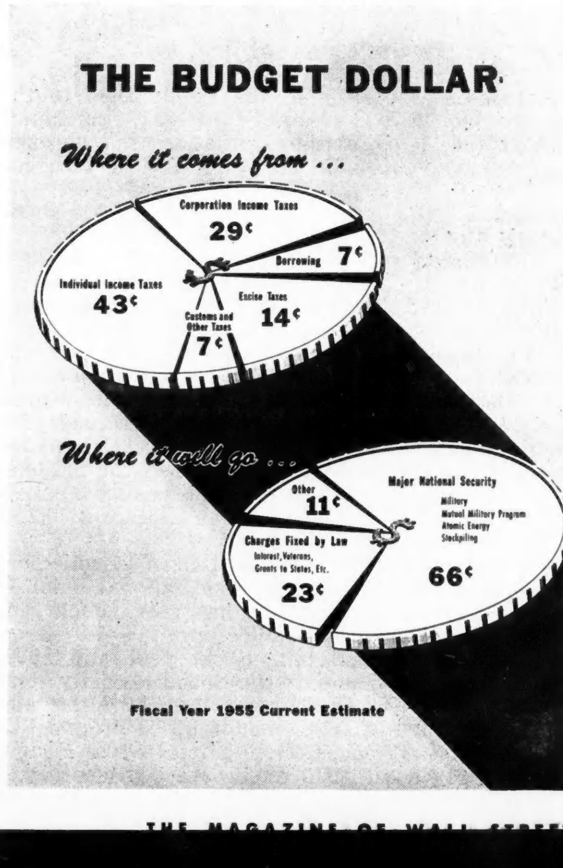
The Pressure Groups

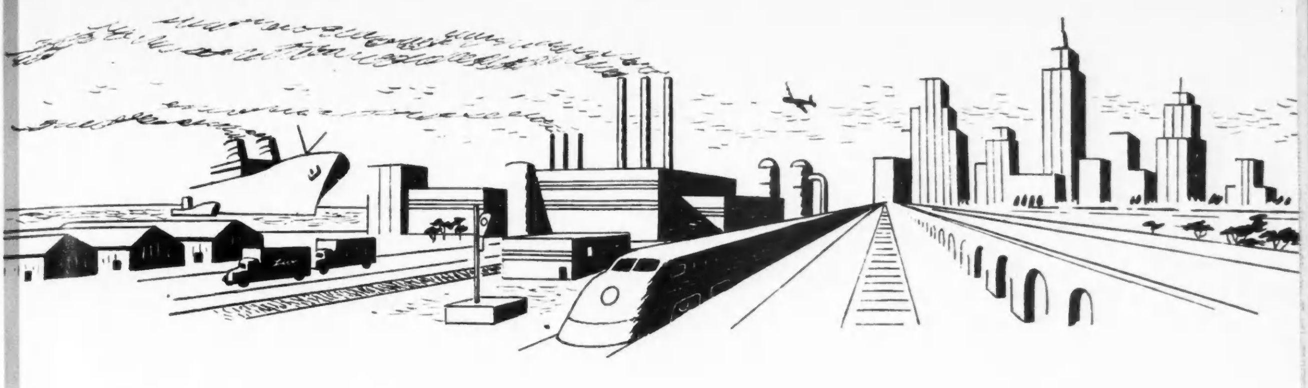
Inevitably this created the happiest hunting ground for certain special interests that the wildest dreamer aforetime had ever envisioned. Almost any one who had an idea for the promotion of some cause stood more than even chance of getting a Federal subsidy. When a Second World War came, instead of the national belt being tightened in accordance with the old American idea, it actually was loosened and it was not long before foreign causes, without regard for any practicable relation to the welfare of the United States, actually had a better chance at American cash than our own people! No one ever struck the keynote of that whole concert so accurately as Paul Porter, who held various New Deal jobs, when he observed: "After all, its only money!"

So now, with only the limited area left after the immutable fixed annual charges are met in which to effect reforms and economies the serious economist in the Government or in the Congress who desires to bring about a return to fiscal sanity is met by the legions who grew up under the Federal subsidy theory and who are firm in the belief that a permanently vested right is theirs. There is an entire generation of them!

Demand of Farmers

One of the strongest pressure groups is composed of farmers. American, like all other farmers in the world, have been struggling with the weather, pests, vagaries in supply and demand and all the other natural forces time out of mind. The New Deal built up the system of combating natural forces with artificial price supports and it would seem that such a system has been fastened on the nation permanently. For example, 80 per cent of referendum voters demanded continuance of wheat supports. There has been defection among live cattle growers but in general there is a wide feeling among farmers that they, alone among all the (*Please turn to page* 112)





Transformation of American Industry—Companies—Investments

—25 Years After the 1929 Stock Market Crash

By WARD GATES

It is just 25 years since the stock market crash of 1929 and the start of the great depression which nearly wrecked the economy of the United States and caused the loss of tens of billions of dollars to investors. So deep and lasting were the wounds that not even the costly improvisations of the New Deal could do more than provide temporary but wholly inadequate support to the ramshackle economic structure. Even a decade after the start of the depression and after billions had been squandered by the Roosevelt Administration attempting to find a cure for unemployment, the number of unemployed remained hardly undiminished. In fact, as late as the start of World War II, there were still over 10 million Americans for whom jobs could not be found.

Tens of thousands of plants were shut down in this disastrous period and thousands of others operated at only a bare minimum of their capacity. Few businesses were able to keep out of the red. With profits practically at zero and with most dividends having been passed, investment values shrank to only a small fraction of their former worth.

Perhaps even more damaging to investors than the immense financial losses they suffered, was the blow to their confidence in the American system and the American securities markets. Indeed, the effects of the trauma lingered for many years. Not until the advent of World War II, which was the real factor in restoring the economy, did confidence in securities as investments revive.

Yet, as investors who experienced the crash and depression which followed the 1929 boom, remind themselves of the suddenness of the collapse, some have the uneasy feeling, as they witness the current boom in stocks, that all may not be serene as appears on surface and that, perhaps, they should seek shelter. It is inevitable therefore, that comparison be made between 1929 and 1954. Some similarities indeed do exist between the two periods. The boom of 1929 was the culmination of 10 years of growing well-being in the United States after World War I ended. Correspondingly, we are now again approaching the end of a decade of boom.

Each period has witnessed an enormous rise in the capacity of the nation's industries. Since this capacity proved excessive by 1929, some are asking whether our present capacity is not also excessive. Between 1920 and 1929, expenditures for plant and equipment increased by nearly $100 billion in terms of 1953 dollars. By the end of the first decade after World War II, we will have spent for these purposes possibly close to $170 billion. Relatively, we will have spent even more for plant expansion and equipment purchases in the decade ending 1955 – approximately 35% – than we did in the decade ending 1929 – or, 20%. Some argue from this that if a 20% increase in capital investments in the 20's was more than demand could then absorb, the 35% increase in the present decade will be even more difficult to absorb. Whether the argument can hold water after analysis is another matter but one should not ignore the possible significance of the great rise in our capacity to produce.

Psychological Resemblance

Psychologically, there is a superficial resemblance between the 1920's and the present decade. Just as most Americans in the 20's assumed that we were

How 1929's Leaders Have Fared

	1929 High	1954 High	Approx. 1929 Equivalent*	Total Assets 1929 (Millions)	Total Assets 1953 (Millions)
Allied Chemical & Dye	354¾	101	444	$ 387	$ 702
American Can	184½	49¼	197	191	432
American Tel. & Tel.	310¼	175	175	4,228	8,259
Anaconda Copper	174⅞	42⅝	42⅝	764	835
Atch., Top. & S. F.	298⅝	120¾	241	1,2[illegible]2	1,498
Bethlehem Steel	118⅝	82½	247	80[illegible]	1,782
Chrysler Corp.	135	68	136	209	897
Coca-Cola Co.	154½	125¾	503	55	235
Consol. Edison N. Y.	183¼	47⅜	47⅜	1,171	1,841
Du Pont	231	150	600	541	1,846
Eastman Kodak	264¾	63¼	316	163	524
Firestone Tire & Rub.	37	83⅞	[illegible]67	161	567
General Electric	403	48½	582	491	1,696
General Motors	91¾	94⅞	189	1,324	4,405
Int. Harvester	142	33¼	100	384	972
Johns-Manville	242¾	78¼	235	43	191
Kennecott Copper	104⅞	87⅞	87⅞	337	747
Montgomery Ward	156⅞	80⅜	80⅜	187	717
New York Central	256½	26	26	1,606	1,902
Radio Corp. of Amer.	114¾	35	35	158	493
Sears, Roebuck	18[illegible]	76	304	251	1,388
So. Pacific Co.	157½	47⅝	95	2,277	1,954
Standard Oil N. J.	83	101¼	202	1,767	5,371
Texas Company	71⅞	80¾	161	609	1,017
Un. Carbide & Carbon	140	89	267	353	1,190
Union Pacific	297⅝	141	282	1,195	1,346
U. S. Steel	261¾	57⅜	172	2,286	3,247
Westinghouse Elec.	292⅝	75¼	301	253	1,265

*—Adjusted for stock-splits since 1929.

in "a new economic era" in which ever greater heights would be scaled, so there are many proponents today of the theory that the curve of the American economy will continue upwards for many years to come without more than minor interruptions from time to time. While this feeling of bright optimism is not quite so pronounced as in the 20's, the more critical observers believe that there is too much of it in view of the unsettled world situation. What impresses these pessimists specifically is that the market is already at an extremely high point and that it may not be able to withstand any serious pressure that may occur. None, of course, believe that anything like the 1929 debacle is possible.

The more sober views, it seems to us, are based on a superficial reading of the comparison between the 1920's and today. There is, in truth, aside from some surface similarities, a vast difference between the two epochs. Let us, for example, compare the attitudes and objectives of investors in the two periods.

The 1920's, so far as the stock market was concerned, was a period of enormous speculation, particularly in 1928 and 1929. Practically the entire country was engaged in gambling on the Exchange, most of it on the slimmest margin. In 1929, margins were no more than 20-25% of collateral and many brokers allowed their customers to trade on much smaller margins. Worse, there was no uniform rule on margins, each member of the Exchange setting his own requirements. By October, 1929, the volume of brokers' loans had reached the stupendous total of $8.5 billion. When the market reached its final crest toward the end of October, 1929, credit facilities were already so fully taxed that call loans could be arranged only at the fantastically high rate of 16%. Under these prevailing conditions, the day of reckoning could not be far off.

The situation is very different today. Collateral loans on securities play a comparatively small part in the making of investments. They are now only $1.5 billion, against $8.5 billion in 1929. For years, margin requirements have been stiff which has had a decided influence in limiting the amount of credit available for stock speculation. Margin requirements today are at 50% and not long ago they were as high as 75%. It is obvious that this is a formidable brake against speculation and that no comparable obstacle was present in the 1920's.

It must be admitted that a quarter of a century ago, ethical standards, and in many instances, legal requirements, were violated by too large a proportion of the financial community. While many firms, even in those hectic days, managed to retain a sense of fair dealing in their relation with customers, the encouragement given to the wildest kind of trading even by these respected members was largely contributory to the rampant speculation which swept the country.

The public itself, actuated only by its appetite for quick profits, proved only too willing a victim in those days to the enticements of "Wall Street." But, there is a vast difference today. The public is not only well protected by effective policing of its business by the New York Stock Exchange but by the self-regulation of the smaller Exchanges. And, of course, the Securities & Exchange Commission stands watch over all.

The present investing public, which is so well protected against sharp practices, perhaps has a dim memory of conditions in the stock market a quarter of a century ago. Yet they are worth mentioning, if only to indicate the enormous contrast with today. In the stock market, the 1920's were marked by enormous manipulation, against which the ordinary investor had little protection. Manipulation, which is an artificial control of security prices, had many forms: (1) to raise the price in order to unload on the buyer; (2) to stabilize prices, as in syndicate offerings, which is entirely legitimate and permitted, under specified conditions, by the SEC; and (3) to force prices downward, as in a bear raid but the latter was quite exceptional and today is not permitted at all.

Protection for Investor

Because of widespread manipulation in the 1920's and the abuses which it created and, as a result of the Senate investigation into these practices in 1933-34, the Securities Exchange Act of 1934 which paved the way for the SEC in 1934, was passed. In the following year, the Public Utility Holding Act, the companion piece to the Securities Exchange Act, and whose function was to regulate the financial practice of public utility holding companies, was passed. Under this Act, many formerly bankrupt or nearly bankrupt public utility systems have been reorganized and are now flourishing enterprises.

It is important to realize the part which the Securities & Exchange Commission, together with the policing activities of the various Exchanges, play in the protection of the present-day investor. While he may still be subject to the hazards attendant on

fluctuations in the business cycle, insofar as his particular company's affairs are concerned, he is at least amply protected against the forbidden practice of manipulation. The objectives have largely carried over into circulars and other literature issued by brokers and investment houses so that the investor has a far better opportunity than formerly to obtain reliable information. Though not perfect as yet, control over questionable advertising of securities is quite effective, which also offers increased protection to investors. Reputable financial journals, of course, have continued their traditional policy of affording reliable information to readers and they have not needed the prodding of the SEC.

All in all, today's investor is far better educated than the past generation of investors at least in the essentials of investing. He is aided in this by the increasing attention of corporations to the quality and usefulness of their reports to stockholders.

While he has by no means lost a desire for profits, he is much more careful in accepting advice and has learned, by a substantial degree, to distinguish between outright "tips" and solid information.

Aside from the regulatory activities of the SEC and the related policing policies of the various Exchanges, the major factors which have effected a basic transformation in the character of the security market since 1929 are: federal income taxes; purchases and sale of securities by institutional investors; ascendancy of the managerial class against owners; and, above all, the government and its fiscal policies, the latter today being probably the most important single influence on the economy.

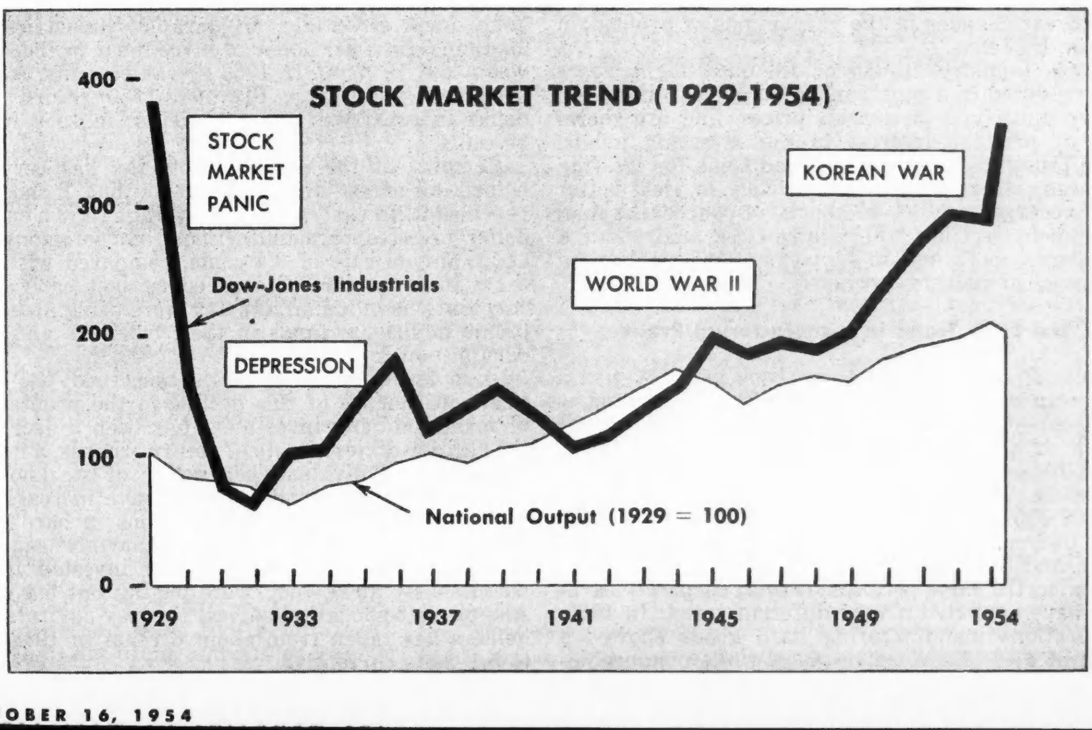
Federal Taxes and Market

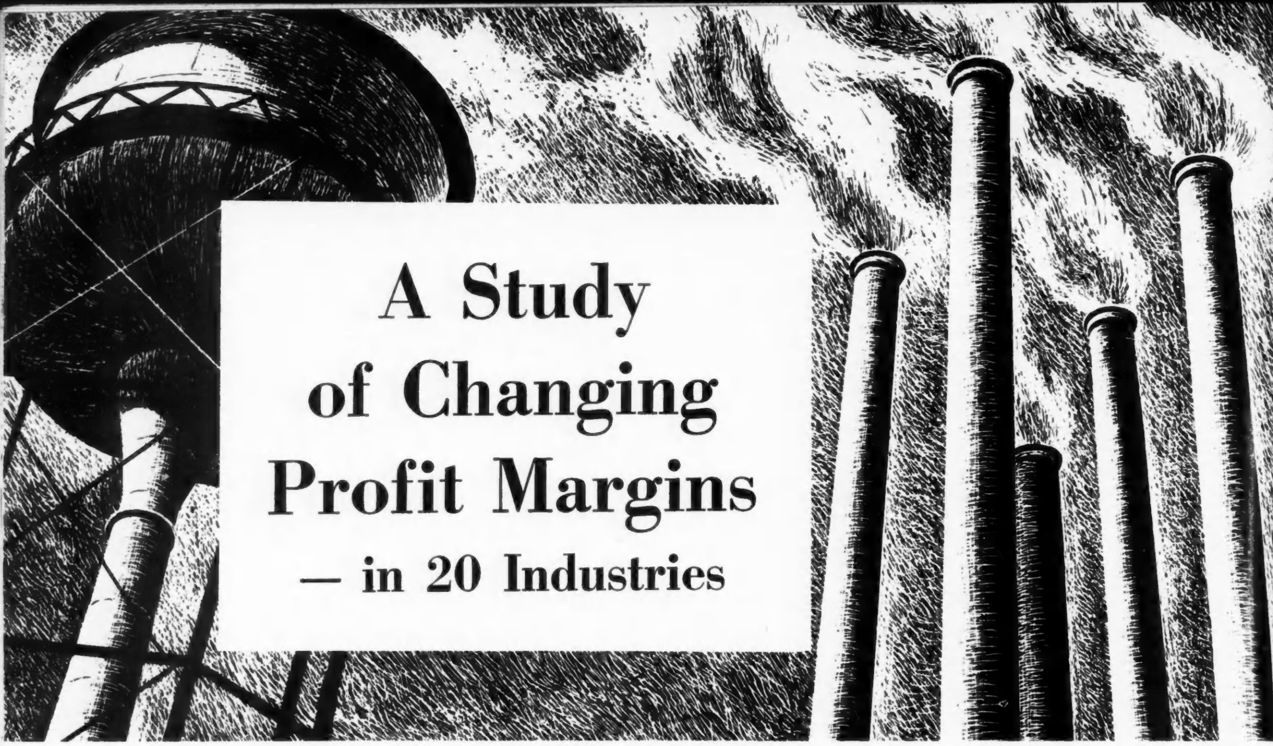
The effect of high federal income taxes and, particularly, the capital gains tax has been and continues to be extremely important with respect to the volume of securities offered for sale in order to establish profits. Where investors are in income-tax brackets in excess of 25%, and particularly for those who are in brackets ranging from 35% and upwards, the acceptance of short-term profits is considered generally inadvisable. This has the effect of shifting stocks, whether bought for long- or short-term purposes, out of investors short-term portfolios into intermediate (over 6 months) or long-term holdings. Under these circumstances, sale of stocks is necessarily restricted with the result that the supply is temporarily more limited than would have been the case if investors could freely offer their stocks without severe tax penalties. This has been one of the most important factors in the comparative stability of the stock market, even under periods of stress. As long as income taxes remain high and the capital gains tax is in force, it may be presumed, therefore, that, unless economic conditions deteriorate badly, stocks in portfolios will be held to a substantial extent and that investors will refrain from pressing them on the market under forced sale. This is one of the most significant phases of the transformation in the nature of the behavior of the stock market since the 1920's.

Effect of Institutional Investing

In recent years, institutional buying has played, at times, a decisive role in the investment markets. While investment trusts are not new, their operations have increased steadily. Mutual funds and pension plans have also created a new and growing market for securities. Insurance companies, likewise, have increased their portfolios of common stocks. The combined operations of these institutional investors now accounts for a fairly large part of total transactions.

While institutional buyers tend to regulate their purchases and sales, according to general market conditions, the general practice has been toward a high degree of care, particularly with respect to the investment quality of the (*Please turn to page* 99)





A Study of Changing Profit Margins — in 20 Industries

By WARNER T. WILSON

In the postwar years, the level of corporate profits in manufacturing has been quite high, even after subtraction of some of the steepest tax bills in the history of the corporate tax. But within the structure of our manufacturing industries, there have been some important divergences in the trend of profit, and some important changes in the rate of profit on stockholders' equity – the vital rate of return on investment. In addition, there have been significant changes in the proportions of profit paid out as dividends.

These industry trends of the past eight years have resulted in a constant, broad shift in the basic values underlying securities prices, and are therefore of primary interest to the investing public. They provide, in general, a broad basis for locating the areas where investment is likely to yield better than average results – although, of course, the final investment decision will require close analysis of a company's operations to supplement information on the trend of industry groups.

The Basic Trend in Manufacturing Profit

Between 1947 and 1954, the book value of manufacturing corporations in the United States underwent one of its historic expansions. In 1947, the net worth of all manufacturing companies was about $63 billions – about $30 billions in durables manufacturing, and $33 billions in soft-goods companies. By the end of 1953, investment had risen to about $110 billion, of which about $53 billion was in durables, and $57 billion in nondurables.

During the same period, however, corporate earnings have exhibited a very different trend. In 1953, corporations manufacturing hard goods showed a profit of $5.8 billion, after taxes, while nondurables manufacturers reported total profits of $5.5 billion. These profits are not substantially higher than was experienced in the very early years of the postwar period, when investment in the manufacturing sector was one-third less than in 1953. To put it succinctly: for every $2 invested in manufacturing in 1947, there is now more than $3, but the earnings of manufacturing companies are about unchanged. In other words, the rate of return on investment has gone down strikingly. In durables industries, the average return per dollar of investment in 1948-1950 was about 15 cents. In 1953 it was 11 cents. Among soft-goods industries, the 1948-1950 return on 1 dollar invested was about 14 cents; in 1953 it was 10 cents.

Removal of the excess profits tax has certainly helped to arrest this downtrend, but it has not reversed it. In early 1954, the average return on each dollar invested in manufacturing corporations was at an annual rate of 9.4 cents, compared with 10.7 cents in early 1953. Measured against early 1948, corporations in manufacturing were using about $35 billion additional funds in their business, and were earning not a penny more!

In so far as the investor is concerned, the practical consequence of this decline in the profitability of manufacturing investment has been a decline in the relative dividend rate of return–that is, a decline in dollars of dividend per dollar of stockholders' equity though dividends as such have increased. In the years 1948 to 1950, corporations in hard-goods industries paid out, annually, amounts equal to about 6.5 cents for every dollar invested in the business. By 1953, they were paying out 5.4 cents. Among soft-goods industries, the pay-out to stockholders has fallen from about 6 cents in 1948-1950 to 5.1 cents currently.

It will be noted that the decline in the corporate payout has not been nearly so rapid as the decline in corporate profits. This illuminates one of the great postwar trends in corporate financial position. In the early postwar years, corporations, and particularly manufacturing corporations, were retaining, as undistributed profits, unusually large proportions of their earnings. This high level of retention was owing to a number of considerations, of which two were paramount: first, the relatively low level of stock prices made the issuance of new securities a costly process, so that corporations were discouraged from obtaining new capital in this time-honored way; secondly, by 1947 it was abundantly clear that the physical productive capacity which manufacturing industries brought into the postwar period was inadequate to postwar demands, and it has become necessary to finance a gigantic wave of capital outlays which has only very recently began to subside. This huge demand for money, combined with the unattractiveness of outside financing through securities markets, made retention of earnings a dominant claim on profits.

More recently, as stock prices have risen in the post-Korean boom, and as corporate demands for funds to finance plant expansions have begun to slow, retention of earnings has diminished as a share of total earnings, and dividend payments have begun to rise. Between 1948 and 1953, dividend payments of durables manufacturing industries rose from $2.1 billion to $2.8 billion, even though profits after taxes fell from $6.7 billion to $5.8 billion; among nondurables industries, dividends climbed from $2.7 billion to $2.8 billion, while profits fell from $6.1 billion to $5.5 billion. For all manufacturing industries, dividend payout amounted to 37% of profits after taxes in 1950; by 1954, the payout had risen to about 50%. The stockholder was thus faring much better than the corporation he owned, which is one important reason why stock prices have continued to boom while profits have fallen.

It is obvious, however, that dividends cannot continue to rise indefinitely while earnings rates of corporations are falling. For the investor, therefore, it has become increasingly important to view the profitability of individual industries as a criterion for investment—particularly important since profitability, measured as the relation of after-tax income to the net investment in the industry, has recently been showing significant industry-to-industry variations.

Profit Margins, by Industry

Among hard-goods industries, the highest profit margins in 1953 accrued to companies in the *motor vehicle industry*, the *transportation equipment* (*other than automobiles*) *industry*, and the *electrical machinery industry*. In the first of these groups, however, the profit margin trend was sharply downward in 1953, and the good performance of the group as a whole reflects, predominantly, the performance of the General Motors and Ford Motor companies. Even including these two giants, however, the 1953 profit margin, averaging 14.1% of investment, is considerably below earnings in earlier years of the postwar boom, which ran as high as 26.5% of investment in 1950. 1953 performance was, in fact, the lowest of the postwar period in terms of margin on investment. In early 1954, profits continued at about the 1953 level, but the margin has certainly shrunk in the last six months, and performance for the year as a whole is certain to be the least satisfactory in eight years.

For *transportation equipment other than automobiles*, a group which reflects chiefly aircraft companies, the profit margin has been in a rising trend throughout the postwar years. Performance in 1953 was the best since World War II, and 1954 margins are likely to be the highest of all manufacturing industries, reflecting continued high rates of production combined with the expiration of the excess profits tax.

Electrical machinery companies have enjoyed a high and stable margin throughout the postwar years, and while 1954 margins are lower than in 1953, the decline is not substantial, and a modest recovery in business volume would doubtless restore the loss.

A second group of durables industries consists of *iron and steel, fabricated metal products and non-electrical machinery*. In all of these industries, growing capacity and increasing competitive conditions have produced a slow but inexorable downtrend in profit margins throughout the last eight years. 1954 margins are running well below 1953, and no clear recovery of the margin is in sight.

In three other durables industries—*primary non-ferrous metals, furniture and fixtures, and lumber and wood products*, profit margins fluctuated very rapidly in earlier years of the postwar period, and are now depressed. However, no clear long-term downtrend appears in the margin and some recovery of the margin, within the near term, seems entirely likely. These industries have enjoyed orderly growth in the postwar period, as contrasted with the violent spasms of growth in (*Please turn to page* 102)

Annual Rates of Profit on Stockholders' Equity In Manufacturing Corporations

(percent)

	1947	1948	1949	1950	1951	1952	1953	1st Q. 1954[1]
All Manufacturing	15.6	16.1	11.9	15.2	12.5	10.3	10.5	9.4
Food	17.6	12.8	12.0	13.2	8.9	7.6	8.1	6.4
Tobacco Manufacturing	10.0	13.6	12.8	11.6	9.6	8.4	9.3	9.0
Textiles	19.6	18.8	7.6	12.8	8.5	4.2	4.6	2.1
Lumber & Wood	22.8	19.2	8.9	18.4	13.4	8.2	6.9	2.3
Furniture & Fixtures	18.4	16.0	8.2	14.8	10.6	8.6	8.1	3.2
Paper & Allied Prods.	22.4	16.4	10.4	16.0	14.6	10.4	10.0	9.7
Chemicals & Allied Prods.	16.0	16.0	13.2	18.0	13.3	11.0	10.6	11.2
Petroleum Refining	......	......	......	......	15.1	13.3	13.2	12.8
Petroleum & Coal (except refining)	14.7	19.9	12.0	14.0	11.7	8.7	8.1	3.8
Rubber Products	12.4	12.4	8.8	16.8	14.7	11.2	11.5	10.3
Leather & Products	14.4	10.4	6.0	10.8	5.6	5.7	6.0	4.0
Stone, Clay & Glass	14.0	15.2	12.8	17.6	13.8	11.6	11.5	7.6
Primary Nonferrous Mtls.	11.6	14.0	8.0	15.2	13.6	11.5	11.1	9.2
Primary Iron & Steel	12.8	14.4	10.0	14.4	11.8	8.5	10.7	7.6
Fabricated Metal Prods.	17.5	16.8	10.4	16.0	13.2	10.1	9.8	6.6
Machinery (exc. electrical)	16.0	16.4	11.8	14.0	12.9	11.3	9.8	9.5
Electrical Machinery	18.8	16.0	13.4	21.2	14.4	13.6	13.0	12.9
Transportation Equip. (except Motor Vehicles)	0.4	8.4	7.8	10.0	10.0	12.4	13.7	15.5
Motor Vehicles & Parts	16.0	20.0	22.0	24.8	14.6	14.0	13.9	15.3

[1]—1st Quarter results may not reflect annual trends because of seasonal factors.

A TEST IN WEST VIRGINIA

By "VERITAS"

TELEVISION set manufacturers and distributors are impatient at delay in deciding the future of station licenses who are certificated to operate in the Ultra High Frequency band. Two years have passed since the Federal Communications opened the UHF band with the promise of programs to villages and hamlets not now reached by standard broadcasters. Very few purchased sets capable of receiving programs in the new area of transmission and the result has been that the more expensive shows could not be supported for small audiences. This has discouraged other prospective buyers. Now a proposal is before FCC to allow subscription television: UHF listeners would get first-run motion pictures, on a pay-as-you-listen basis, inexpensively.

WASHINGTON SEES:

With less than one month to go before the election ballots are counted the republican party is "running scared"—real scared.

The Maine election was an eye-opener; not because a democrat displaced a republican governor (the incumbent had sown his own seeds of political grief), but because congressional nominees of the republican party won by majorities so gravely thinned down that, if nationally applicable, it would mirror a democratic landslide.

The republican national committee has been counting the New Jersey senatorial seat lost. A GOP family fight is in progress. Taftites were at one point openly asking for write-in votes for an old-line republican who conceded he had no chance to win and admitted that every write-in would be a vote for the democratic nominee. And in Washington, the party chieftains are asking themselves the disturbing question: Is this localized, or is it symbolic of a current of feeling held, if less dramatically expressed, by Old Guarders elsewhere.

A trusted pollster who trekked 7,500 miles to sound sentiment came back to republican headquarters Oct. 1, announced he could reflect the whole sad story in a single sentence: "We will lose two house seats in Kansas."

Polls have been inaccurate in the past. Local conditions have distorted the larger picture. Elections have been won on a single stroke of political good fortune. Even now, Ike could still be the savior in the opinion of one close to the matter: Republican Chairman Leonard W. Hall. In fact it's being made clear by Hall that the President must campaign if he is to be held blameless should defeat come.

LABOR PARTY would win an election in Britain today if one were to be conducted. That is the belief of most of the British officials stationed in Washington for diplomatic or trade purposes, and it is borne out by straw votes. This being so, inquisitive political minds are attempting to analyze, if only to their own satisfaction, the feat of Clement Attlee in winning the Labor Party over to support of the Churchill program of support for German rearmament. Some interpret it as the start of a conservative trend. Not to be discounted, however, is the fact that men in arms, geographically close to a nation, offers a more palatable promise of security that ideologies which are unsupported by strong striking power, massive retaliation.

PROVING GROUND of Ike's popular appeal to the voters will be supplied in West Virginia in the November election, two years in advance of the time when General Eisenhower's stewardship will be examined on the national scale. Senator Matthew Neely, veteran democrat whose constituents have kept him in congress for 32 years (sometimes by squeaking majorities) has defied the political lightning by campaigning on a platform of "I don't like Ike!" Calling the Chief Executive a "political myth," and "the poorest President the United States has ever had," Neely has put the party issue before the voters as strongly as Nixon did for the GOP in Maine. His election seems assured, but the majority by which he wins, if he does, will be significant.

ADMITTEDLY small, in scale against the whole problem, the experiment launched only a few weeks ago to dispose of excess surplus farm commodities abroad will be watched with interest.

As We Go To Press

It already is clearly evident that Majority Leader William Knowland's hope of saving candidates the necessity of brawling over McCarthyism, has been futile. The idea was not Knowland's alone; he took counsel with colleagues on both sides of the aisle and reached what seemed, then, to be the reasonable conclusion that senators who wished to do so could safely plead (in avoidance of taking a position) that they wished first to hear the debate on the Watkins Committee report. Any idea that the GOP, alone, stood to lose has been dissipated. Some democratic candidates wish the test of strength had been made, the verdict entered, and the process of forgetting about it put under way. Not that decision either way would have stilled public discussion, but it would have recorded a showing of hands, removed the urge to make clumsy, sidestepping explanations.

Like the prolonged hearings from which the censure probe arose, the study developed little, if anything, of lasting worth. It is no more known now than it was at the time McCarthy produced his 2¼ page "letter," whether investigating senators are "proper persons" within the law, to receive classified information. The committee finding that McCarthy was wrong in refusing to work with a senate group probing his financial affairs, won't get him or any other senator before a future committee. There is no enforcement machinery. His criticsm of Senator Flanders was found "improper," but no yardstick of impropriety was set up because there can be none. And that a senator is not answerable for offenses committed on the floor of congress was established when the Constitution was written.

Actually, the entire proceeding starting back with entry of G. David Schine into the United States Army wrought harm at every point without compensating benefits. It's probably true that inexperienced Schine was worth to the committee just about what he was paid: nothing. But he didn't seek special treatment and even his senior officers, disturbed as they were by maneuverings in the boy's behalf, admit that Schine had made an excellent record in every assignment. But he'll serve in a goldfish bowl: McCarthy's friends will follow with acute interest any sign of punishment imposed on Schine; the senator's critics will be equally alert to any favoritism, or its appearances.

General Zwicker, upheld by the committee in a blistering denunciation of Wisconsin senator, is off to a distant assignment which was in his future, investigation or not; General Lawton who befriended the McCarthy group and was in charge at the time the 2¼ page letter came into Roy Cohn's possession, has been relieved of active duty on a medical discharge. At the height of controversy he was passed over for another silver star for his shoulder. Cohn is the only principal who fell by the wayside: resigned in the face of a demand from powerful senatorial quarters that he be dropped as counsel to the committee. Secretary Robert Stevens survived; all members of the original committee who come up for re-election this year are clear of the primary stage, regarded shoo-ins. John Adams still is Army Department counsellor; the job of McCarthy committee chief of staff was held by Frank Carr until he voluntarily quit.

Marketing analysts, mail order houses, and commodity distributors will be interested in the results of population trends detected by the U.S. Chamber of Commerce. Noted are two types of shift: one from the cities to the suburbs; the other, a more general one, to the west and south of the nation. Both, says the CoC, are largely self-reinforcing: as people go into the suburbs, new utilities and transportation facilities are needed, and new schools, churches, and shopping centers are built. And these attract more people. The movement to the west and south has reached such proportions that one-sixth of all non-manufacturing jobs of the country now are located in California and Texas. As an inevitable companion of these movements, a building boom is on with no end in sight.

Similar drives haven't amounted to much in other years, but realtors are preparing for a hard fight next year to get much of the federally-owned land and buildings outside the District of Columbia placed on local grand lists. The full force of the housing lobby will be on the firing line this time, with a unit in every community of every congressman's district. In the past, the effort has been made by individual municipalities whose taxable lands have been taken off the lists, adding to the burdens of those must maintain city facilities.

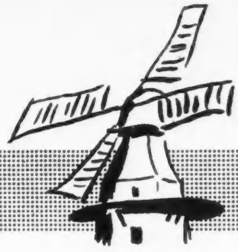
Normally one thinks of federally-owned lands only in terms of the post office, the customs house, and the military installation. But the United States Government owns much more. Its holdings embrace 25 per cent of all land in the nation, and in some states it owns more than one-half the real estate. In Nevada, estimates of federal holdings range between 70 and 80 per cent. Times have changed since federal holdings other than the post office were rare in any community. Today there is included, manufacturing plants, office buildings, and warehouses, to name some of the larger groups.

Somewhat belatedly, the Committee for Constitutional Government (the former Gannett Committee) has introduced the Bricker Amendment into the political campaign with the suggestion that backers apply sanctions to candidates who refuse to come out flatfootedly for it. "Remember," the still intact committee behind the move to make all agreements with foreign powers subject to senate ratification is told, "there is no one presently in the congress of the United States, either Senator or Congressman, or in the high offices of Government, who can remain there beyond his present term if only a small per cent of the voters band together in each community and vote in the next primaries and conventions and in the next elections only for those candidates who are willing to commit themselves unqualifiedly to the support of an adequate Constitutional Amendment."

The Bricker Amendment grew to the status of a holy crusade on Capitol Hill this year, brought "pilgrims" from all parts of the country to lend their presence to the oral and written argument. More than a majority of the senate wanted the bill but the needed two-thirds couldn't be marshalled. There's a distinct likelihood that success will meet the effort the next time. The zeal which fires the advocates can be assayed from the following literature issued by the "pro's": "The issue involved is the greatest issue that faces America today, greater than taxes or inflation or even communist infiltration. It is the same issue as was involved in the fight for the original Bill of Rights against an uncontrolled treaty power. The issue is whether we and our children and our children's children are to have a government of men or a government of adequate constitutional safeguards."

The Polish Embassy has embarked upon a program to convince trade unionists that all is well for labor groups under the red flag of Poland. Released here, with no Washington tie-in, is a story which purports to be the report of a delegation of British trade unionists who visited Warsaw and other centers and wrote of the Utopian bliss they found. In the past, the Embassy has confined its propaganda efforts in the Capital to generalities, aimed at no particular group. The boring-in process, with labor unions worked on, becomes all too obvious at times. For example, the British union members are quoted as saying: "We have suffered bombing in our own cities at the hands of fascism, etc. etc."

On the home front there was something less than fury attending the AFL convention's branding as "traitors" those whose inattention, or derelictions, are sapping union welfare funds. The position of delegates to the federation of labor meetings in the West Coast seemed to be that punishment would be visited upon any miscreants -- but there are no miscreants! There was almost word of encouragement to carry on mis-uses (or, in the attitude of the delegates, to start them.) Such abuse, said AFL publicists with straight face, "may be seized upon by enemies of labor as an excuse for a more general smear attack to prevent further progress in the health and welfare field."



Economic Recovery in HOLLAND

By KAY H. HOUWINK

It has been said that the economic situation in the Netherlands is in many ways a gauge of the economic health of Western Europe. If this saying is correct, then Western Europe must be moving into a period of expansion and prosperity that will outdo the prewar years, for the Netherlands – which is situated at the gateway to the Continent and which acts as middleman, trader, shipper, and supplier of special goods and services for Western Europe–has all the earmarks of a booming country.

A visitor from America landing in Rotterdam would find it difficult to realize that the heart of this city had been razed by screaming "Stukas" on May 14, 1940, a day never to be forgotten by any Hollander. On the site of the old "puinhopen"–the ruins –now stand ultra-modern bank and office buildings, shops, and department stores. Rotterdam burgers can now shop in leisurely fashion and without interference from motor traffic in the "Laybaan," a great new marketing center with parking areas, beautiful flowerbeds, and merchandise on display from all over the world.

An Imposing Reclamation Project

Equally impressive is a trip through rural Holland southward to Zealand, through the areas inundated by the North Sea in February 1953. Land that was covered with salt water not much more than a year ago is again producing crops, and in the villages one sees new houses gaily painted and gardens ablaze with flowers. Talking to farmers one notes how their imagination has been fired and their hopes raised by the "Delta Plan." Under this project, which would cost about 2 billion guilders, huge dams would close the numerous arms of the Rhine and the Meuse Rivers, except for access to Rotterdam and Antwerp harbors. An enormous fresh-water reservoir would be created behind the dams, regulating the water level in a large part of the Netherlands and making it possible to reclaim additional land from the sea. This would be nothing new for the Dutch; for some years now, a great reclamation project has been under way in the Zuider Zee region, where, on land won from the sea, new villages have been built and crops are being harvested.

Comparing the hustle and the near-boom in the Netherlands with the situation in, for example, France, one cannot help wondering how the great postwar reconstruction of the Netherlands was accomplished. When the Second World War ended, the country had more than its share of troubles. Large parts of the country were flooded, most of the railway system was destroyed, nearly half of the industrial equipment had been taken to Germany as loot, and over one-half of the merchant marine had been sunk. The currency was badly inflated, and a colonial war was on the verge of breaking out in Indonesia. There was considerable unemployment, and in general the situation was even more serious than in Great Britain.

Credit for the almost miraculous comeback of the Netherlands must go in the first place to its hard working, thrifty, and sensible people. Unlike in France, where individual social and economic groups have fought selfishly to protect their interests, in the Netherlands the entrepreneur, the worker, and the farmer have put the well-being of their country first.

The second factor in the comeback of the Netherlands was the high quality of government and business leadership. Once the major reconstruction work was accomplished, the Dutch did not hesitate to switch from a planned economy to the free market

U. S. Trade with the Netherlands
(In Millions of Dollars)

	U.S. Imports from the Netherlands		
	1951	1952	1953
Meat products	14	18	31
Bulbs, plants, etc.	9	12	12
Diamonds	7	6	11
Tin	28	57	40
Textiles	9	11	9
Fertilizer	3	6	10
Other chemicals	11	/	7
Electrical machinery	....	1	4
All other	39	43	68
Total	120	158	192

	U.S. Exports to the Netherlands		
	1951	1952	1953
Wheat, flour	63	64	41
Oil and fats, oilseeds	19	29	34
Tobacco	12	17	45
Raw cotton	44	29	13
Coal and petroleum	42	27	15
Steel mill products	14	16	14
Copper	4	5	6
Aircraft	1	8	17
Machinery and vehicles	28	30	32
Chemicals	13	6	9
All other	43	40	25
Total	283	271	251

system. They adopted a strict monetary policy and a disinflationary budget policy. By arresting inflation, the regime restored confidence in the guilder; revival of savings and expansion of private investment followed.

Other major factors in the Dutch recovery were external aid and the revival of international trade. Without American aid, reconstruction progress would have been much slower. The comeback of West Germany and the establishment of the Europeen Payments Union also helped, by restoring the Netherlands in its old position as a middleman and shipper.

No One More Grateful for American Aid

Marshall aid given to the Netherlands came to about one billion dollars. It could not have been given at a time more opportune than following the disastrous winter of 1947-48, when crops failed all over Europe, and foreign exchange reserves reached the low point. Nowhere has American aid been so well invested, nor have the people been so grateful for the help given them.

American aid provided food and raw materials at a time when the country was rebuilding itself. With the exception of coal, a little oil, and some salt in the North, and, of course, fertile land, Holland has practically no natural resources. Even stone and lumber must be brought in. American aid was an important factor in helping the Netherlands to shoulder the armament burden and to expand industrial employment. Later, counterpart funds were used in financing public works and the reclamation works at Zuider Zee. Late in 1952, the Netherlands announced that its economy was strong enough to dispense with economic aid, though this step had to be postponed a few weeks later when the North Sea flooded nearly one-tenth of the country.

Despite the currency reform of 1945, the devaluation of the guilder in 1949, and the armistice in Indonesia the same year, the economic situation in the Netherlands continued to be precarious through 1950. There was still strong inflationary pressure, although production had expanded and the balance of payments deficit appeared to have become manageable again.

The "Action Program" of 1951

The outbreak of the Korean war, the drain on foreign exchange reserves, and the need for rearming convincd the Hague Government that drastic action had to be taken if inflation was not to destroy the reconstruction job already accomplished and if the Dutch economy was to be kept flexible enough to promote exports. Being a trading nation, Holland is extremely sensitive to the ups and downs of international trade. Moreover, lacking raw materials and limited in agriculture to a few special exports, the Netherlands—like West Germany, Great Britain, and Japan— has become increasingly dependent upon exports of industrial products requiring a high labor coefficient.

There is no need to dwell on the technical measure by which the Netherlands proceeded to establish budgetary position and by which internal consumption and investments were reduced to build up capacity for exports. The steps have been called a "return to economic orthodoxy," though some economists question the term. Suffice it to say that interest rates were raised in the fall of 1950 and that strict qualitative credit restrictions were introduced the following spring. The non-defense budget was slashed, private investment restricted (especially for new building), and the public works program curtailed.

While praise should be given to Prime Minister Drees and to Finance Ministers Lieftinck and van de Kieft for the courageous steps taken, the main credit must go to the Dutch labor unions for their willingness to accept temporarily a lower standard of living. In Holland there exists the so-called "Foundation of Labor," a unique institution stemming from the wartime underground days when workers and employers would meet and discuss their problems. Through the Foundation, Dutch Labor unions agreed to accept a wage increase of only 5 per cent while the cost of living rose by at least 10 per cent, partly as a result of the withdrawal of food subsidies. But entrepreneurs and investors were also prevented from consuming all their returns. Dividend ceilings were set up. Reinvestment of profits in the expansion of enterprises was encouraged by means of tax concessions. Since the enterprises that made profits were chiefly export industries—the working for the internal market being depressed because of internal disinflationary measures—the Netherlands, very much like Western Germany, was able to build up its export capacity substantially.

Important American Companies Operating in Holland

American Chicle*	**International Business Machines**
Coca Cola	**Monroe Calculating Machine**
Crane*	**Remington Rand**
Curtiss Wright	**Royal Typewriter**
Fairchild Engine & Airplane	**Textile Machine Works**
General Tire	**Westinghouse***
Goodrich	

*—In partnership with Dutch companies.

While the disinflationary policy adopted in 1950-51 was hard on Dutch consumer industries—there was actually a buyers' strike in 1951-52—export industries have continued to push their sales despite growing competition in the world market. As will be seen from the main table, Dutch exports are currently running at the rate of about $2.3 billion a year, or $228 per capita, compared with about $80 per capita for the United States. As late as 1949, exports paid for only about 60 per cent of imports; they are now paying for over 90 per cent.

Strong International Position

Along with exports, Dutch invisible earnings from shipping, transit trade, and tourist traffic have improved considerably, with the comeback of Germany playing an important part in this respect. As a result, Dutch international payments during the last three years have been persistently favorable, and as a consequence the gold and foreign exchange reserves of the Central Bank, which at the end of 1951 were only $522 million, were built up to over $1,300 million by the middle of 1954. The country's strong international position has in turn permitted a gradual liberalization of imports and foreign exchange transactions. For all practical purposes, the guilder is now almost convertible insofar as current transactions are concerned. Capital transactions are also being liberalized, and among the latest moves has been the freeing of trading in American securities.

Industrial production is currently some 75 per cent above 1948, with individual industries, such as the export-oriented chemical industry, producing more than three times as much. Unemployment, which was a serious problem in the early postwar years, has practically disappeared, and now, instead, there are signs of over-employment. There have been upward adjustments in wages during the last few years, but in general Dutch labor continues to show a remarkable understanding of the country's problems and strikes have been practically non-existent.

The Country with "Investment Climate"

In general the Dutch have succeeded admirably in their drive to expand the industrial capacity of the country as a means of providing jobs for the fast growing population and as a means of offsetting the loss of Indonesia. There are at least four Dutch corporations ranking among the largest enterprises of their kind in the world. One of them, well known to American investors, is Royal Dutch Shell; others are Unilever, Phillips – makers of incandescent lamps, radio tubes and receiving sets – with branch factories in the United States, and AKU, producer of synthetic textiles. Other well-known establishments are Wilton-Feyenoord (dockyards), K. N. Hoogovens – steel mills in which the majority of stock is held by the Government – and Ned. Kabelfabriek.

Besides investing in the past five years at least $2 billion of their own capital in expanding industrial capacity, the Dutch have gone out of their way to attract the outside investor. There is no discrimination between Dutch and foreign investment before the law; foreign enterprises have been given tax concessions and accelerated amortization as special inducement. There is no excess profit tax, and the turn-over tax is relatively low. At present no license is required to remit profits under 15 per cent of the capitalization.

But all this is only a part of the "investment climate" that the Netherlands offers. The country has a stable government, trade unions are reasonable and in favor of industrialization because new jobs are created. Steady liberalization of trade and the near-convertibility of the guilder have also been helpful. Finally, the country is ideally located as a distributing center near the mouths of great West European rivers.

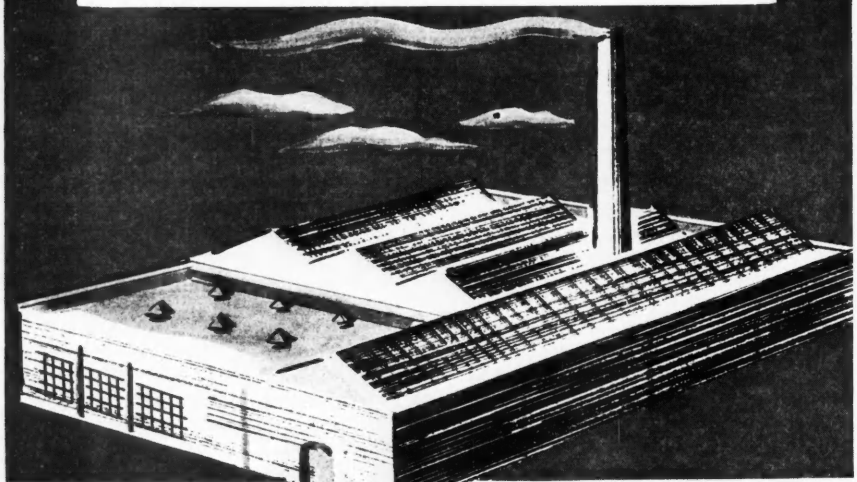
In view of all this it is not at all surprising that at least 150 American and some 700 British, French, Swedish and Swiss firms have either set up subsidiaries in Holland or formed partnerships with Dutch firms, or licensed their patents to Dutch producers. Among the thirty odd American companies that have set up subsidiaries in Holland are: Monroe Calculating Machine Co., I.B.M., Remington Rand, Caltex Petroleum (one of the largest American investors in Holland), Merck & Co., Cincinnati Milling, Minneapolis-Honeywell, Royal Typewriter, Coca-Cola, Textile Machine Works (*Please turn to page* 104)

The Netherlands: Principal Economic Indicators

	Population (Millions)	Industrial Production (1938=100)	Steel Output (000 tons)	Chemical Industry (1938=100)	Textile Industry (1938=100)	Gold & For. Exch. Holdings (Mil. $)	Foreign Trade (Mil. Dollars) Exports	Imports	Hourly Wages (1938=100)	Cost of Living (1938=100)
1938	8.6	100	56	100	100	1,037	594	803	100	100
1948	9.7	113	334	106	105	347	1,025	1,872	204	204
1950	10.0	139	490	208	136	547	1,414	2,063	224	237
1951	10.2	145	554	237	135	552	1,978	2,567	243	265
1952	10.3	147	685	244	122	936	2,130	2,151	247	265
1953	10.5	163	860	264	145	1,167	2,152	2,383	251	262
1953 1st Quarter	10.4	154	204	254	140	1,032	515	552	251	261
2nd Quarter	10.4	159	204	250	136	1,081	505	571	251	263
3rd Quarter	10.5	165	211	250	147	1,124	539	604	251	263
4th Quarter	10.5	175	241	296	156	1,167	593	657	253	261
1954 1st Quarter	10.6	166	230	321	152	1,177	578	664	273	278
2nd Quarter	10.6	174	230[1]	......	......	1,304	565	663	273	275

(a)—1949. [1]—Partly estimated.

What To Do About 1954's Dividend Casualties



By JOHN D. C. WELDON

Cash dividend payments this year will probably average about 5% above those of 1953. Against this background, a considerable number of companies, some of them quite important, either reduced their dividends or passed them entirely. On the New York Stock Exchange, about 50 companies have thus far this year taken unfavorable dividend action. Additional companies on the American Exchange, or unlisted, have taken similar action.

Investors are concerned with two important features attached to dividend casualties. One is loss of income and the other, loss in market price, which generally precedes lowering or passing the dividend. It is probably true that aside from individuals close to a company the public is generally taken by surprise when unfavorable dividend action is taken. This need not be, of course, since future dividend action is very often heralded by the earnings trend, as reported quarterly. If the investor watches this trend closely, he may at least be able to obtain a good picture of the real situation and, by taking action, save himself a good part of the loss, even if he cannot withdraw from the stock at an ideal point. Unfortunately, many investors wait too long, either out of inertia or because they hope conditions will improve. Unless these hopes are well-founded, losses are likely to become larger than they need have been.

However, even if a good part of the damage has already been done, it is still possible by taking decisive action to cut further losses. Also by re-examining his position with respect to doubtful issues, he may be able to improve his holdings by making intelligent substitutions.

In order to assist any of our readers who may be holding stocks on which dividends have been cut or passed this year, we have reappraised the outlook for 44 of these stocks with a view toward determining which of them may improve their position in response to any likelihood of a favorable change in the company's position; and, also, to determine which in this group face an uncertain prospect, and where improvement is not likely for some time to come. On the basis of these estimates, we have rated each of the 44 stocks as follows:

(1) H – hold. This signifies that important changes for the better appear on the way, and that the stock is likely to recover substantially over the longer-term. The stock, accordingly, should be held.

(2) S – This symbol is attached to stocks whose future is too uncertain, or whose recovery may be too long delayed, to warrant continued retention. Investors troubled by these issues might find it advantageous to make substitutions from any of the better-grade stocks recommended in each issue of The Magazine.

(3) H-T – hold temporarily. In these instances, we suggest that the investor maintain his position for a while longer, not so much because of definite prospects of genuine recovery but because, at prevailing prices, stocks so marked appear to be fairly well liquidated and, even a minor improvement could provide the opportunity for selling at a more

44 Stocks that Passed or Cut Dividends in 1954

	1952		1953		1954				Changed	
	Net Per Share	Div. Per Share	Net Per Share	Div. Per Share	1st Half Net Per Share	Price Range 1953-54	Recent Price	Previous Quarterly or Periodic Rate	To New Quar. or Periodic Payment	Rating
American Brake Shoe	$ 3.52	$ 3.00	$ 3.70	$ 3.00	$ 1.76	42 -31	33	$ .75	$ .50	S
American Export Lines	3.20	1.50	2.99	1.50	(d) .45	17¼-11½	12	.37½	[7]	S
American Motors	......	......	......	......	n.a.	14¾-10	10	.12½	[8]	H-T
American Seel Foundries	5.09	3.00	5.34	3.00	2.60[1]	40 -25¾	28	.75	.50	S
Brunswick-Balke-Collender	1.32	1.00	.32	.87½	(d) .90	22½-13¼	19	.12½	[8]	H-T
Butte Copper & Zinc	.83	.75	1.25	1.00	.05	12⅝- 5⅛	9	.50	.25	S
Byers (A. M.) Co.	2.38	2.00	3.65	2.00	(d) 2.93[1]	27⅝-15½	25	.25	[7]	S
Case (J. I.) Co.	2.83	2.50	.06	2.00	(d) .69[2]	25 -13⅞	15	.25	[8]	H-T
Celanese Corp. of America	.77	2.25	1.01	1.25	(d) .18	38¾-16¼	20	.25	.12½	H
Central Violeta Sugar	2.83	2.00	(d) .98	1.07	n.a.	17½-10⅜	11	1.07	.60	S
Century Ribbon Mills	.78	.70	(d) 1.23	.60	.20	9⅝- 6⅜	7	.15	.07½	S
Chrysler	9.04	6.00	8.59	6.00	1.81	96¼-56¼	64	1.50	.75	H
Collins & Aikman	1.95	1.60	(d) 2.17	1.60	(d) 1.12[3]	24¾-12½	16	.40	[8]	S
Cone Mills	2.27	1.60	2.59	1.60	.53	27¼-20⅛	22	.40	.30	H-T
Consolidated Retail Stores	.63	.80	.42	.50	.12	10¾- 5¼	7	.10	[8]	S
Consolidated Textile Co.	.47	.25	.95	.45	(d) .19[4]	10¼- 7	8	.10	[8]	S
Dayton Rubber	2.47	2.00	2.57	2.00	.58[2]	23⅝-12⅝	14	.50	.25	S
Diamond T Motor Car	2.46	1.00	2.07	1.00	(d) .38	16⅝- 9½	14	.25	[8]	S
Eversharp Inc.	1.86	1.40	1.61	1.40	.26[3]	16⅛-12	13	.35	.30	S
Fajardo Sugar	2.89	2.50	.61	2.00	n.a.	22¾-13¾	16	.37½	.25	S
Gabriel Co.	(d) .04	......	.35	......	.27	7⅜- 4½	6	.15	[9]	S
General Investment	2.10	.25	1.13	.75	(d) .22[3]	14½- 8¼	9	.25	.12½	S
Hayes Mfg.	1.08	.60	.63	.60	(d) .04[1]	8¼- 4⅝	5	.15	.05	S
Hecht Co.	3.22	1.80	2.66	1.80	.44	29⅞-21⅛	23	.45	.35	H
Kresge (S. S.)	2.56	2.00	2.40	2.00	n.a.	35⅞-28½	29	.50	.40	H-T
Lerner Stores	2.28	1.50	1.95	1.50	.52	22⅝-16	18	.37½	.30	H-T
Mohawk Carpet Mills	2.09	1.50	2.64	2.00	.76	32⅝-19⅝	22	.50	.25	H-T
Motor Products	6.11	2.00	6.62	2.00	(d) 2.41[5]	34⅜-16¼	22	.25	[7]	H-T
National Automotive Fibres	2.06	2.00	3.24	2.00	.51	21½-13⅞	16	.50	.25	S
Newport Industries	1.44	.75	.95	.80	.17	17¾-10⅞	16	.20	.10	S
Park & Tilford Distillers	1.29	3.00	.34	1.71½	(d) 2.24	37 -21¼	33	.37½	[8]	H-T
Pfeiffer Brewing Co.	2.06	1.60	1.65	1.60	.28	19⅜- 9	10	.30	[8]	S
Reliance Mfg. Co.	1.33	.60	1.41	.60	(d) .37	14½- 8¼	10	.05	[8]	S
Schenley Industries	2.76	2.00	1.53	2.00	.52[4]	28 -17½	20	.50	.25	H
Sharon Steel	4.65	4.00	6.10	4.00	.59	43½-27⅛	28	1.00	.50	H-T
South Porto Rico Sugar	7.83	4.00	3.07	4.00	n.a.	53¼-29⅝	34	.75	.50	S
Sparks Withington	.56	.25	1.03	.30	.01[6]	7¾- 4	4	.15	[8]	S
Stevens (J. P.) & Co.	2.27	2.00	2.35	2.00	.56[2]	37½-22¼	24	.50	.25	H-T
Tide Water Assoc. Oil	2.43	1.15	2.89	1.15	1.35	27¼-18¼	22	[10]	[8]	H-T
United Biscuit	4.19	2.00	3.96	2.00	.61	40 -27	28	.50	.25	H-T
United Engineering & Fdry.	1.51	.97½	1.52	1.00	.59	16½-11½	12	.25	.20	H-T
West Kentucky Coal	2.92	2.50	2.09	2.50	.39	28⅜-13⅞	15	.37½	.25	H-T
West Va. Coal & Coke	1.36	1.20	1.11	1.10	(d) .08	16¾- 9⅞	12	.15	[8]	H-T
Wyandotte Worsted	1.55	.60	.46	.40	(d) .56	11¼- 6¼	9	.10	[7]	S

(d)—Deficit.
n.a.—Not available.
1—9 months ended June 30.
2—9 months ended July 31.
3—Quarter ended May 31.
4—9 months ended May 31.
5—Year ended June 30.
6—6 months ended Dec. 31, 1953.
7—Div. omitted.
8—No div. action.
9—Div. deferred.
10—5% stock div.

RATING: H — hold; outlook improving.
S — Highly speculative; outlook uncertain.
H-T — Hold temporarily.

favorable price, thus reducing the loss.

In the following, we briefly comment on the position and outlook for several of the more prominent issues that, in our estimation should be held.

CELANESE CORP. OF AMERICA's 1954 first half-year sales and earnings, in comparison to those of the 1953 corresponding months, made a dismal showing. For the 1954 period, net sales of $66.2 million were in contrast to $97.6 million a year ago and net earnings for the current year's first half, amounting to $1.3 million, equal, after preferred dividends, to a deficit of 18 cents a share on the common stock, compared with net earnings for the 1953 period of $6.4 million, or a net of 70 cents a share for the common after preferred dividends.

The heartening element in the company's first six months' report this year is the steady, although not spectacular, improvement realized in the second quarter in which sales increased to $37.3 million from first quarter volume of $28.9 million with net increasing to $1.2 million from first quarter results amounting to $95,973. Celanese's second quarter showing was aided by the firm stand on prices taken by the company back in October of last year. It took this action for the purpose of stabilizing the acetate yarn market. Eventually other yarn makers fell into line, but it was not until about late in April of this year that the yarns in the second-hand market had disappeared and buying at manufacturers' levels made its appearance in greater volume and at more profitable prices for the producers. Since then, acetate yarn demand has further improved, the price structure firming to such an extent that Celanese early last August, advanced prices by one or two cents a pound on some of its acetate filament coarse yarns.

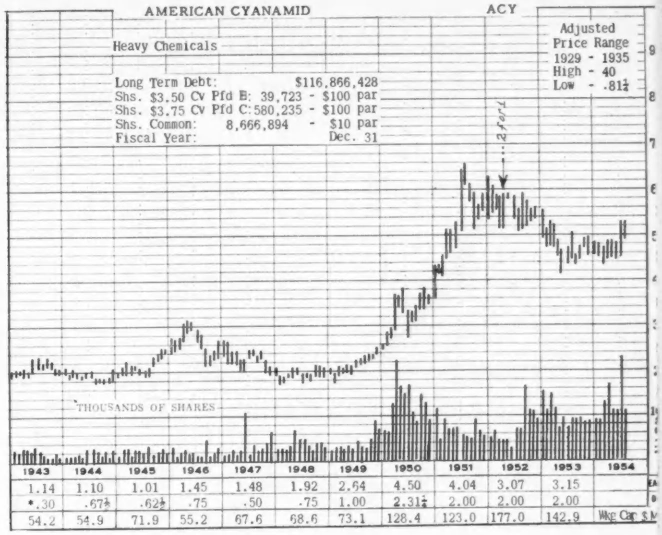
Continuation of a stronger price structure and expectations of a further improvement in sales through the balance of the year augurs well for the company and its ability to show a material gain in profit margins. This turn for the better could be helped considerably by the company's output of "Arnel," its new synthetic fiber which it developed in its laboratories as "X-100." It is said fabrics of the new yarn are machine-washable at any temperature, free from fading and staining, and can be dried in any standard home laundry drying equipment. Dividends which have been reduced to 12½ cents quarterly are likely to be continued through the balance of this year. On the basis of indicated improved outlook, current holdings of Celanese common should be retained.

SCHENLEY INDUSTRIES, INC., will most likely show a drop in net earnings for the fiscal year ended last August from the $1.41 a share realized for the fiscal year ended August 31, 1953. This estimate is predicated on the company's showing for the nine months to May 31, last, in which net earnings amounted to $2,250,928, or 51 cents a share, as compared with net earnings for the corresponding months of the previous year of $6,163,389, equivalent to $1.41 a share. Operating results for the latest period under comparison continued to reflect the failure of beer sales to recover to the high level attained prior to the strike against all Milwaukee breweries last summer, as also the highly competitive situation in the retail liquor market and higher costs which cannot very well be offset by price markups due to the prevailing high excise tax of $10.50 a proof gallon. While there seems to be little chance of getting this excise tax reduced now or in the immediate future, the next best thing would be passage by the new Congress of a bill permitting domestic whiskey to remain in bond for a maximum of 12 years instead of eight. Enactment of such a bill would relieve the tax pressure on some of the smaller distillers who have been putting their products on the market at lower prices rather than weaken their finances by carrying tax-paid whiskey in warehouses.

Schenley, because of its strong finances, is not so much directly concerned with this problem except to the extent of any change that would improve the competitive situation throughout the entire industry. As of August 31, 1953, it had total current assets of $350.2 million. This included cash and U. S. Government securities totaling more than $48 million, or about $16 million more than the company's total current liabilities of $32.2 million. As to the near-term outlook, reduced dealer inventories, some price adjustments and a possible moderate recovery in sales, particularly in whiskey, should be reflected in improved earnings. In anticipation of these developments, Schenley common should be retained. Dividend which was reduced to 25-cents last August probably will be maintained for the time being.

S. S. KRESGE CO., ranks well among the chain variety stores but from an earnings standpoint, has been disappointing. During the postwar years, despite a sales uptrend that carried volume from $251.4 million in 1946 to a peak in 1953 of $337.2 million, net income as a percent of the sales dollar has declined from .0891 for 1946, to .0393 for 1953. On a dollar per share basis the decline in net income has been from $4.06 to $2.40 last year. The company makes no interim reports of operating results. For the first seven months of this year, however, it disclosed net sales of $167.1 million, which is about 1.11 per cent under those for the 1953 corresponding period. A good Fall business and a favorable Christmas selling season would help wipe out this decrease and pull 1954 sales up to another new peak. It is reasonable to estimate that net earnings for the year could also show a modest improvement over 1953, reflecting benefits from new stores in suburban shopping centers that went into operation last year and additional new units opened during 1954, as well as from the continued modernization and enlargement program. The current 40-cent quarterly dividend, reduced from 50-cents quarterly maintained in the years 1951-53, now appears secure. The stock may be retained in anticipation of possible improved earnings for the current year but new purchases are not recommended as more satisfactory issues are available elsewhere.

TIDE WATER ASSOCIATED OIL CO., despite an oversupply of crude in the oil industry during most of the second quarter of this year, held sales and other revenues up to a level that made favorable comparison with the 1953 first half year. For the six months to June 30, last, the company's income amounted to $229.2 as compared with $231.1 million a year ago. While operating results for the 1954 half were aided to some extent by a reduction in Federal income tax payment, this benefit was more than offset by an (*Please turn to page* 110)



5 Undervalued Growth Stocks

By OUR STAFF

Investors, in recent years, have trained themselves to select for investment stocks of companies that are definitely in the growth category. Many of these issues, of course, have long since received the recognition to which thy are entitled after many years of expansion and are now selling at fairly advanced prices. For the average individual investor, this may be a deterrent at this time though institutional investors, accustomed to "dollar-averaging" in their operations, are not necessarily hindered by comparatively high prices for the type of stocks in which they are normally interested.

Coming close behind the leaders among the highest grade growth stocks, is another group of miscellaneous issues which, though not of the same calibre, represent, nevertheless, companies consistently forging ahead and which, as a consequence, are receiving increasing recognition in the market. These companies may be said to have now reached a point where growth potentials are more clearly discernible and which should eventually attain a level of higher earnings and dividends than even the present satisfactory rate.

We have selected five such stocks in this growth category which, we believe, merit the consideration of individual investors. Each one of these selected issues has participated in the upward move of the stock market during the past year but still seem undervalued in the light of their potentials. Each of the issues is described in the accompanying text which also sets forth the special growth features which should command investor interest.

For those investors interested, it is suggested that only a portion of funds to be used for the purchase of the stocks named be utilized at this time, reserving the balance for additional purchases when a market reaction offers a favorable opportunity for "dollar-averaging."

AMERICAN CYANAMID COMPANY

BUSINESS: Ranks among the first five of the major chemical companies and has broad output diversification, including agricultural and industrial chemicals, dyestuffs and pigments, plastic materials, industrial explosives, surgical specialties, veterinary products, and pharmaceutical and biologicals. Also renders engineering services, designing and constructing plants for the heavy chemical industry.

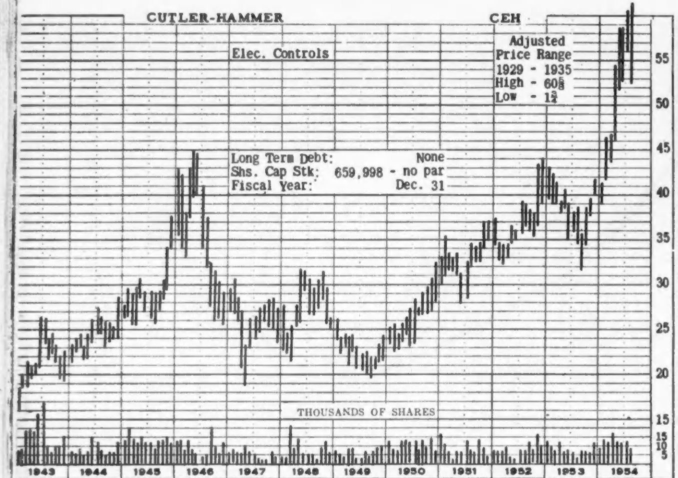
OUTLOOK: Since the beginning of the company in 1907, research and development have been key factors in American Cyanamid's growth and progress. Its forward strides have been particularly rapid since World War II, a 10-year period in which approximately $288 million have been charged to capital account for additions and improvements to plants constructed or acquired by the company. This growth is more sharply depicted by comparing company investment in plants, properties and facilities that has grown from $87 million at the beginning of 1944 to $335.2 million at the end of 1953. Among the major achievements has been the construction of the Fortier plant located in the Gulf Coast area, about 18 miles west of New Orleans, which went into full operation last June for the production of chemicals from natural gas, marking the company's entry into the petrochemical field. The growth potentials in this field are such that the new plant is laid out to allow for 100% increase in capacity. Another important project now under way is the construction of a new titanium dioxide plant scheduled for 1955 completion and adding substantially to current output which Cyanamid markets under the trade name "Unitane." The company, important in pharmaceuticals and biologicals, has strengthened its position through acquisition last December of the Antibiotics Division of the Heyden Chemical Corp., and he development of several important new antibiotics through research by its Lederle Laboratories, one of the foremost units in the drug field. Cyanamid's net earnings for the 1954 first half-year equalled $1.50 a share for the common stock, as against $3.15 a share for full 1953, again providing ample coverage of dividends for this growth equity.

DIVIDENDS: Since payment of 100% stock dividend in July, 1952, cash distributions on the common stock have been maintained on a 50-cent quarterly basis.

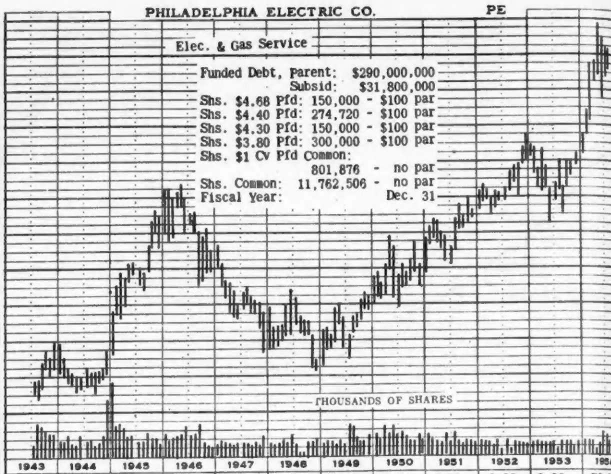
MARKET ACTION: Recent price of 50 compares with a 1953-54 price range of High—55⅞, Low—41⅝. At current price, the yield is 4.0%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1944	1953 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 43,157	$106,014	+$ 62,857
Receivables, Net	14,141	41,289	+ 27,148
Inventories	29,560	75,422	+ 45,862
TOTAL CURRENT ASSETS	86,858	222,725	+ 135,867
Net Property	36,286	199,757	+ 163,471
Intangibles	5,000	....	— 5,000
Investments	8,290	16,564	+ 8,274
Other Assets	2,498	4,106	+ 1,608
TOTAL ASSETS	$138,932	$443,152	+$304,220
LIABILITIES			
Debt Matur.	....	$ 3,266	+$ 3,266
Accounts Pay. & Accruals	$ 14,929	37,532	+ 22,603
Tax Reserve	15,920	38,671	+ 22,751
Other Current Liabilities	1,033	266	— 767
TOTAL CURRENT LIABILITIES	31,882	79,735	+ 47,853
Reserves	6,617	1,266	— 5,351
Long Term Debt	25,218	114,341	+ 89,123
Preferred Stock	14,818	6,074	— 8,744
Common Stock	27,070	86,463	+ 59,393
Surplus	33,327	155,273	+ 121,946
TOTAL LIABILITIES	$138,932	$443,152	+$304,220
WORKING CAPITAL	$ 54,976	$142,990	+$ 88,014
CURRENT RATIO	2.7	2.8	+ .1



1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	
2.54	2.66	1.94	2.43	4.82	5.49	4.10	5.98	6.12	5.81	5.69		EARN.
1.25	1.50	1.50	1.50	1.75	2.00	2.00	2.40	2.50	2.50	2.50		DIV.
5.5	5.4	7.1	7.3	9.8	10.9	7.9	10.1	11.4	11.0	12.3	Wkg Cap $ Mil	



1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954
1.37	1.50	1.53	1.74	1.71	1.63	1.81	2.31	2.03	2.20	2.36	E2.30
1.40	1.20	1.20	1.20	1.20	1.20	1.20	1.35	1.50	1.50	1.55	
2.9	3.7	1.5	43.5	16.5	27.9	29.9	15.5	.1	1.2	29.2	Wkg Ca

CUTLER-HAMMER, INC.

BUSINESS: One of the leading producers of electric motor control devices and related equipment for industry, residences, aircraft, and the Navy and merchant marine. Its output of controls range from a toggle-type switch for small hand tools to intricate sysems linked wih conrol panels containing hundreds of control devices. Other products include electronic machine tool controls, tension and speed regulating equipment for various industries, lifting magnets and magnetic separators.

OUTLOOK: Although Cutler-Hammer's history goes back to the turn of the Century and by 1940, the last peace-time year before Pearl Harbor, had built sales up $13.7 million, it was not until the great postwar expansion of industry, together with the first stirrings of automation in industry, that the company's business began to develop in a big way. This is evident by the growth recorded from 1946, for which year sales totaled $30.2 million, to 1953 with sales more than doubling to $62.4 million. Net earnings for 1953 amounted to $3.7 million. This was equal to $5.69 a share, after taxes, including $2.82 a share EPT, on 659,988 shares of common stock, Cutler-Hammer's only capital obligation, it having neither preferred stock nor funded debt outstanding. Elimination of excess profits tax is bolstering net earnings for 1954, notwithstanding a decline in net sales in the 1954 first half. Net for that period amounted to $3.23 a share, as compared with $2.88 in the 1953 corresponding months. It is estimated that with only a moderate improvement in the final six months of this year, earnings for the common stock should come close to $7 a share. Within the four years to the end of 1953, $9.8 million, entirely out of earnings, have been expended for plant expansion and improvements under a program completed before the beginning of the current year. The company, in a strong financial position, should continue its growth, especially in view of general industry's constant search for lower costs and improved equipment that will produce more automatically and at a faster rate.

DIVIDENDS: Since resumption of dividends in 1939, has made payments in every year. The present rate is $2.50 annually.

MARKET ACTION: Recent price of 54¾, compares with a 1953-54 price range of High—62½, Low—31¾. At current price, the yield is 4.5%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1944	1953 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 3,514	$ 7,696	+$ 4,182
Receivables, Net	4,032	5,510	+ 1,478
Inventories	6,193	11,478	+ 5,285
TOTAL CURRENT ASSETS	13,739	24,684	+ 10,945
Net Property	3,728	14,466	+ 10,738
Investments	033	154	+ 121
Other Assets	1,879	687	— 1,192
TOTAL ASSETS	$ 19,379	$ 39,991	+$ 20,612
LIABILITIES			
Accounts Payable	$ 768	$ 833	+$ 065
Accruals	684	2,634	+ 1,950
Tax Reserve	6,869	8,913	+ 2,044
TOTAL CURRENT LIABILITIES	8,321	12,380	+ 4,059
Reserves	1,248	2,618	+ 1,370
Capital Stock	3,300	3,300	....
Surplus	6,510	21,693	+ 15,183
TOTAL LIABILITIES	$ 19,379	$ 39,991	+$ 20,612
WORKING CAPITAL	$ 5,418	$ 12,304	+$ 6,886
CURRENT RATIO	1.6	2.0	+ .4

PHILADELPHIA ELECTRIC COMPANY

BUSINESS: Serves electricity to more than a million customers in a 2,340 square mile area in southeastern Pennsylvania and northern Maryland with a population of approximately 3,250,000. The territory embraces the Philadelphia metropolitan area, including the highly industrialized Delaware Valley. The company also provides gas to Philadelphia suburban areas and steam heating in certain sections.

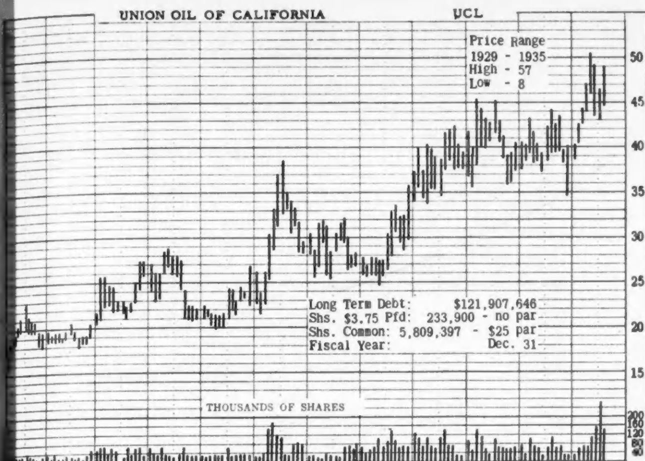
OUTLOOK: The steady residential and industrial growth in the company's territory is sharply outlined in the equally steady expansion in each of the last 16 years in operating revenues. These have increased from $68.3 million in 1938, to $187 million for calendar year 1953. Over the same period, net income has risen from $20.6 million to $29.7 million last year, this being equal to $2.36 a share for the common stock. Continuation of this uptrend has, during the 12 months to July 31, 1954, further expanded operating revenues to another new high at $192.4 million, with net earnings equal to $2.24 a share, including the increase of 878,878 shares recently sold on a subscription basis to provide for financing part of the new construction and expansion costing about $68 million this year. To provide additional faciilties to meet increased electric demand from continued residential and industrial expansion in the Delaware Valley, Philadelphia Electric is already proceeding to install a new $45 million steam turbine generator unit, rated as the most efficient power generating station in the world. This will have an elecrrical energy output equivalent to the home needs of 3 million people. This is but another step in the company's program of expansion to keep pace with the tremendous growth of its territory, and its rising electricity requirements. Another part of the company's long-range program to increase electric service facilities is the new $57 million Cromby station ,the first 150,000-kw. unit of which went into operation last July, with a second unit of 200,000-kw. scheduled for completion in 1955.

DIVIDENDS: The company and its predecessors have been paid without interruption for more than half a century. The common stock is now on a 45-cent quarterly basis, increased from 40 cents with declaration of 1954 second quarter payments.

MARKET ACTION: Recent price of 38, compares with a 1953-54 price range of High—39¾, Low—28½. At current price the yield is 4.7%.

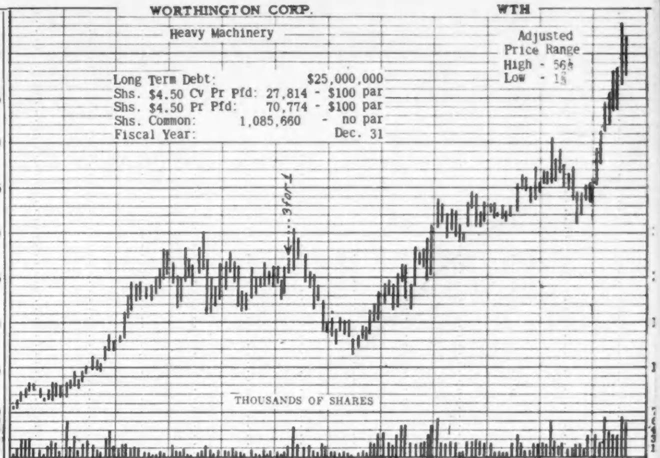
COMPARATIVE BALANCE SHEET ITEMS

	December 31 1944	1953 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 16,846	$ 44,869	+$ 28,023
Receivables, Net	7,812	13,217	+ 5,405
Materials & Supplies	5,367	19,402	+ 14,035
Prepayments	....	1,225	+ 1,225
TOTAL CURRENT ASSETS	30,025	78,713	+ 48,688
Plant & Property	430,250	754,051	+ 323,801
Invest. & Funds	10,794	5,124	— 5,670
Other Assets	10,066	3,605	— 6,461
TOTAL ASSETS	$481,135	$841,493	+$360,358
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 23,926	$ 49,451	+$ 25,525
Other Liabilities	1,368	2,038	+ 670
Reserve for Depreciation	67,724	146,547	+ 78,823
Other Reserves	3,484	1,355	— 2,129
Contrib. to Construct.	2,608	4,736	+ 2,128
Long Term Debt	181,613	322,400	+ 140,787
Preferred Stock	27,954	88,686	+ 60,732
Common Stock	137,816	160,055	+ 22,239
Subsidiary Stocks	12,000	....	— 12,000
Surplus	22,642	66,225	+ 43,583
TOTAL LIABILITIES	$481,135	$841,493	+$360,358
WORKING CAPITAL	$ 6,099	$ 29,262	+$ 23,163
CURRENT RATIO	1.2	1.6	+ .4



	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954
EARN.	.56	1.91	1.89	1.90	3.85	6.51	3.69	3.09	5.01	5.07	6.41	E5.25
DIV.	.00	1.00	1.00	1.00	1.10	1.95	2.37½	2.00	2.00	2.00	*2.00	
Wkg Cap $ Mil	1.0	34.3	56.4	45.2	46.1	49.7	58.6	57.6	50.1	73.0	93.1	

* Plus Stk Div.



	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954
EARN.	2.71	2.81	1.95	3.53	5.86	5.17	5.11	5.70	5.72	5.44	5.16	
DIV.	.66⅔	.50	.50	.66⅔	* .66⅔	1.25	1.00	2.75	2.50	2.50	2.00	
Wkg Cap $ Mil	21.5	17.5	23.2	30.6	38.0	39.4	45.3	46.9	47.2	47.8	58.2	

* Plus Stk Div.

UNION OIL CO. OF CALIFORNIA

BUSINESS: The company, a completely integrated unit, holds extensive crude oil and natural gas deposits in Louisiana, California and several other western states, together with substantial acreages of producing lands in several Canadian provinces. Through Brea Chemicals, Inc., a wholly-owned subsidiary, entered the petrochemical field upon completion of initial production facilities in 1953.

OUTLOOK: Several factors have been contributing to Union Oil's steady growth, especially in the five years to the end of 1953, during which revenue has expanded from approximately $206 million in 1949 to an all-time peak of $325 million for 1953, with net earnings rising from $20.3 million, or $3.35 a share on the outstanding stock, to $38 million, or $6.41 a share last year. It is evident from 1954's first half-year's report that this uptrend coninues, total revenue for the period amounting to $178.2 million, as compared with $156.7 million for the 1953 corresponding period, although this rise is not so sharply reflected in net earnings per share of $2.59 as compared with $2.61 a share for the 1953 first half-year. Labor costs were 4% higher this year, but the comparison of share earnings is warped by the fact there were substantial expenditures incident to the start-up and development of markets for output from Brea Chemicals' new $13 million ammonia plant. These were non-recurrent charges and earnings in the final half-year should reflect the benefit of fuller operations of Brea's facilities producing ammonia, as well as increased revenues from sales of dry ice. Moreover, Union Oil should continue to benefit from the high level of capital expenditures during recent years for exploration and development of oil and gas reserves and increasing manufacturing facilities. As a result of developmental drilling on new discoveries made in 1953 and prior years, it increased net production 11½% over 1952, and brought its equity in crude oil reserves to an all-time peak. The company is spending about $43 million to improve manufacturing facilities and plans 450 additional service stations to meet demands of its fast growing marketing areas.

DIVIDENDS: Has an unbroken dividend record since 1916. Recently increased its quarterly rate to 60 cents a share and may pay another year-end extra.

MARKET ACTION: Recent price of 50, compares with a 1953-54 price range of High—51⅞, Low—33¾. At current price, the yield on cash dividend is 4.8%.

COMPARATIVE BALANCE SHEET ITEMS

	Dec. 31 1944	June 30 1954	Change
	(000 omitted)		
ASSETS			
Cash & Marketable Securities	$ 18,285	$ 45,546	+$ 27,261
Receivables, Net	18,342	54,537	+ 36,195
Inventories	18,097	35,017	+ 16,920
TOTAL CURRENT ASSETS	54,724	135,100	+ 80,376
Net Property	168,600	331,530	+ 162,930
Investments	636	26,427	+ 25,791
Other Assets	2,505	....	— 2,505
TOTAL ASSETS	$226,465	$493,057	+$266,592
LIABILITIES			
Accounts Pay. & Accruals	$ 12,354	$ 34,771	+$ 22,417
Tax Reserve	6,847	10,533	+ 3,686
Other Current Liabilities	1,166	1,477	+ 311
TOTAL CURRENT LIABILITIES	20,367	46,781	+ 26,414
Other Liabilities	....	2,743	+ 2,743
Reserves	3,492	2,759	— 733
Long Term Debt	53,700	117,165	+ 63,465
Preferred Stock	....	23,300	+ 23,300
Common Stock	116,657	147,838	+ 31,181
Surplus	32,249	152,471	+ 120,222
TOTAL LIABILITIES	$226,465	$493,057	+$266,592
WORKING CAPITAL	$ 34,357	$ 88,319	+$ 53,962
CURRENT RATIO	2.7	2.9	+ .2

WORTHINGTON CORPORATION

BUSINESS: Operations of the highly diversified Worthington Corp., include production of a wide variety of equipment such as steam turbine generators, pumps, electric controls and motors, air and gas compressors, internal combustion engines, etc., for the power industry, water supply and sewage disposal systems, the construction, petroleum, natural gas, and chemical industries, the Navy and merchant marine. Also produces air conditioning and refrigeration equipment and is intimately involved in the atomic energy field.

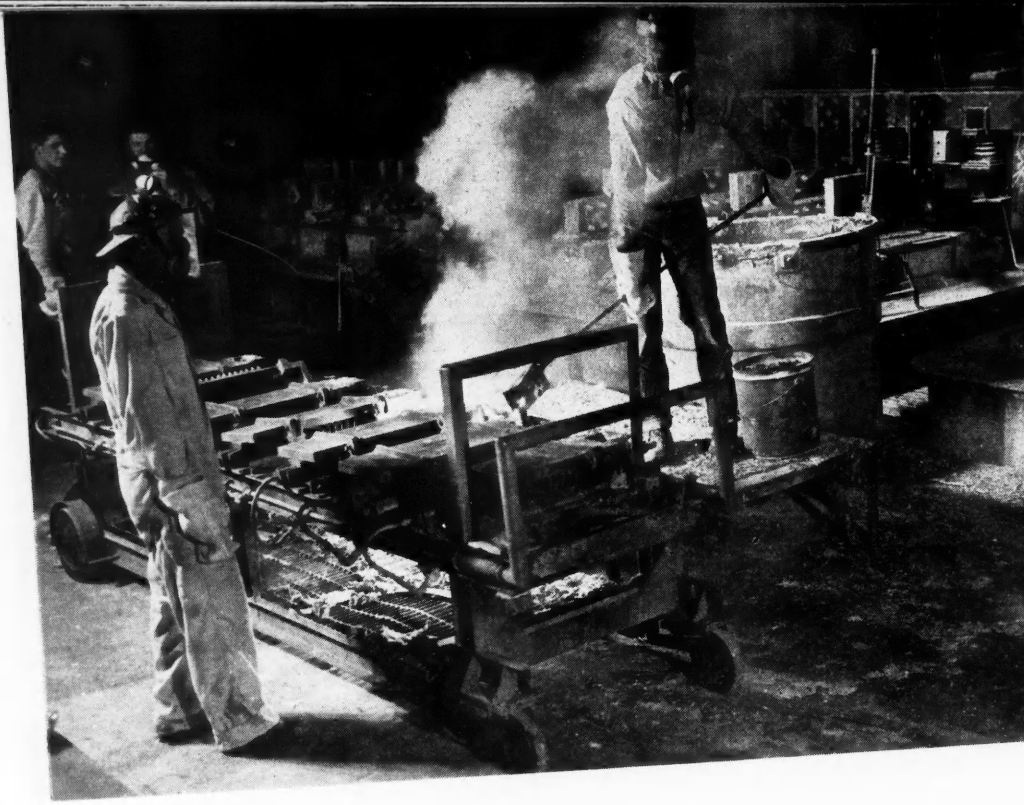
OUTLOOK: Worthington's diversification covers many of the foremost areas of industrial opportunity. Through research and engineering development, on which it has consistently great stress, the company has kept abreast of technological progress in all industry and enabled it to design and manufacture an increasingly wide range of equipment to meet the requirements of the many industries it serves. As a result of its ability to improve and add to its line of products, the company has not only strengthened its competitive position in its various fields, but has, during he postwar years increased sales from $59.7 million for 1946, o a peak in 1953 at $144.4 million. Within this span of years, net earnings increased from $3.6 million, equal to $3.21 a share for the common stock, to $5.9 million, or $5.16 a share, in 1953. This compares with $5.44 a share reported for 1952, and $5.73 for 1951. On the basis of first half-year results, 1954 sales and earnings are indicated at a record high for the postwar period. For the six months to June 30, net income of $3.5 million showed a gain of close to a half million dollars over the corresponding months of last year, with net equal to approximately $3.03 a share for the common stock, as compared with $2.70 a share a year ago. These earnings for the 1954 half-year are exclusive of the Mueller Climatrol Division created by Worthington. Following its acquisition of the Mueller Furnace Co., and its broad line of heating equipment, incinerators and home cooling units to supplement Worthington's extensive line of air condition and refrigeration equipment.

DIVIDENDS: The common stock, split 3-for-1 in 1948, is currently receiving dividends of 50 cents quarterly, plus a year-end extra of the same amount.

MARKET ACTION: Recent price of 44½, compares with a 1953-54 price range of High—48⅝, Low—26. At current price, the yield is 5.6%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1944	1953	Change
		(000 omitted)	
ASSETS			
Cash & Marketable Securities	$ 17,705	$ 9,960	—$ 7,745
Receivables, Net	27,717	24,817	— 2,900
Inventories	19,002	44,504	+ 27,502
Other Current Assets	699	2,107	+ 1,408
TOTAL CURRENT ASSETS	65,123	81,388	+ 16,265
Net Property	9,674	22,952	+ 13,278
Investments	357	1,657	+ 1,300
Other Assets	960	....	— 960
TOTAL ASSETS	$ 76,114	$105,997	+$ 29,883
LIABILITIES			
Accounts Payable	$ 8,153	$ 12,823	+$ 4,670
Accruals	8,917	535	— 8,382
Tax Reserve	14,942	7,014	— 7,928
Adv. Pay on Contract	15,603	2,771	— 12,832
TOTAL CURRENT LIABILITIES	47,615	23,143	— 24,472
Reserves	3,283	....	— 3,283
Long Term Debt	....	25,000	+ 25,000
Preferred Stock	14,155	10,280	— 3,875
Common Stock	2,801	10,698	+ 7,897
Surplus	8,260	36,876	+ 28,616
TOTAL LIABILITIES	$ 76,114	$105,997	+$ 29,883
WORKING CAPITAL	$ 17,508	$ 58,245	+$ 40,737
CURRENT RATIO	1.3	3.5	+ 2.2



A New Horizon for National Lead Company

By J. P. CLIFFORD

At Tahawus, N. Y., about 40 miles from historic Ticonderoga, and deep in the fastness of the Adirondack Mountains, is the largest single source of titanium-bearing ore in the world.

This is the McIntyre Development of National Lead Company's Titanium Division. The property, first opened up by a group of Scotsmen in 1826, and opened and abandoned several times as an iron ore mine in the next 115 years, never proved profitable. The first operators and their successors found the iron ore "contaminated" by a strange substance, a strangely inert material without value and the presence of which made the iron ore unfit for use.

That strange contaminant was ilmenite, from which is derived titanium oxide, the whitest, brightest pigment known. What was once regarded as being without value and a nuisance is now precious ore which is being blasted by National Lead's Titanium Division out of a series of ledges, scooped up by gigantic power shovels, and then transported to the Division's nearby mills for the first processing operations. The resultant product is then shipped to the company's Sayreville, N. J., and St. Louis, Mo., plants and to pigment mills at other points, where it is further treated, leaving only the gleaming-white titanium oxide that goes into paints, white paper, shoe polish, rubber, china and pottery, dentures and many other products steadily growing in number.

Another operation at Tahawus is the sintering plant. There, the magnetite, or iron ore, separated from the ilmenite, in the form of fine particles, is fused into "chunks" suitable for use in the making of iron and steel. Thus, McIntyre, under National Lead's operation, has come into its own. Iron ore is but a co-product with ilmenite, the source of titanium now so essential to the nation's economy, being the prime product.

Range of Diversification

National Lead's operations at Tahawus is only one of its well diversified activities. The company, now in its 63rd year, and long famous for its "Dutch Boy" paint and paint materials, numbers hundreds of other products among its varied output. Most of these come under such general headings as, pigments and chemicals, oils, such as castor, linseed and special paint oils, lead products, lead alloy products,

acid handling equipment, oil well drilling materials, non-ferrous metal die castings, and a long list of other products, some of which are locomotive lubricating devices, journal lubricator pads, refractories, "bentones," vinyl resin stabilizers, zirconium and barytes. Several of these products have strange-sounding names and will be commented on subsequently so that the reader may have a better idea of their potentials in the continued growth of the Naional Lead Co.

Meanwhile, to return to the company's titanium operations and the progress the Titanium Division is making in the production of zirconium chemicals, zirconium ceramic materials, and zirconium metal, which because of its strength, its resistance to corrosion and ability to withstand high temperatures is considered an ideal material for use in nuclear reactors. The Tahawus or McIntyre open pit mine is only one source of the company's ilmenite ore supply. It also operates titanium deposits in Florida, Australia, and Norway where it also operates titanium processing mills which supply the mills of National Lead's wholly-owned German subsidiary producing titanium dioxide in a volume calculated large enough to supply all of Western Europe's requirements, with sales being handled through National Lead subsidiaries in Norway, France, Belgium and the Netherlands.

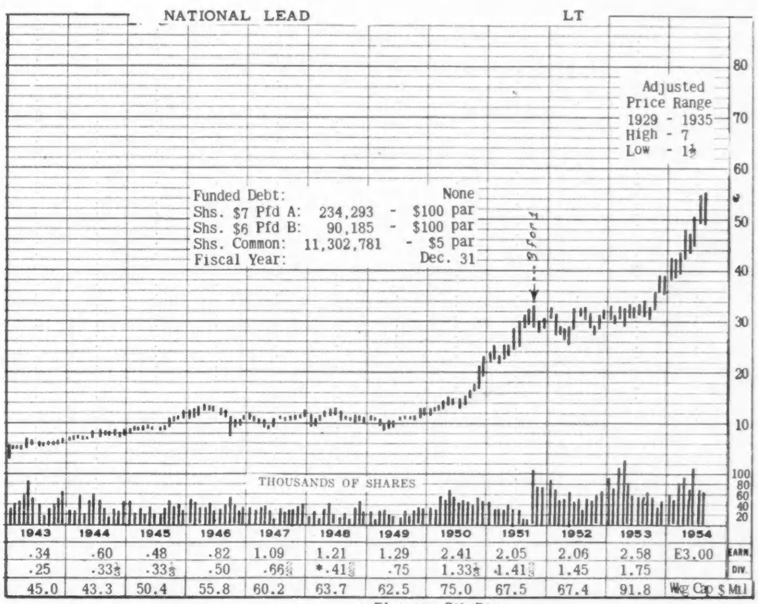
On top of this expansion in the field of titanium dioxides, National Lead joined with Allegheny Ludlum Steel Corp., in forming the Titanium Metals Corp. of America—each holding a 50 per cent interest—to develop and produce titanium metal, its alloys and related products. This is one of the largest projects in the titanium metals field, Titanium Metals taking over by lease from the Federal Government, the major units of the $150 million magnesium plant constructed by the Government during World War II, at Henderson, Nevada. There, National Lead's ilmenite and rutile processed into crude titanium oxides and chemically reduced to very pure metal sponge is melted into ingots. These ingots are then shipped to various plants of Allegheny Ludlum for processing into forgings, bars, sheet, plate, strip, wire and extruded tubing and bar-size shapes. Thus, Titanium Metals Corp. of America, drawing ore supplies from National Lead, and processing this ore into ingot metal in its own plants, and utilizing Allegheny Ludlum's finishing facilities, constitutes an integrated organization and the leading producer of ductile titanium and titanium-base alloys.

In association with the parent companies, joint research and productive facilities have accelerated significant metallurgical and technological developments that promise further advances leading to improved quality and uniformity as well as increased ingot output. As yet, total United States sponge production is comparatively small. Last year, output in this country amounted to only approximately 2,233 tons. Of this tonnage, however, Titanium Metals accounted for 1,053

Comparative Balance Sheet Items

ASSETS	Dec. 31 1944	June 30 1954	Change
	(000 omitted)		
Cash & Marketable Securities	$ 26,445	$ 47,384	+$ 20,939
Receivables, Net	14,859	40,223	+ 25,364
Inventories	23,602	71,649	+ 48,047
TOTAL CURRENT ASSETS	64,905	159,256	+ 94,350
Net Property	31,082	112,766	+ 81,684
Investments	4,393	16,108	+ 11,715
Intangibles	21,202	....	— 21,202
Other Assets	11,446	3,049	— 8,397
TOTAL ASSETS	$133,029	$291,179	+$158,150
LIABILITIES			
Accounts Pay. & Accruals	$ 6,513	$ 24,133	+$ 17,620
Tax Reserve	14,446	35,269	+ 20,823
Other Current Liabilities	607	570	— 037
TOTAL CURRENT LIABILITIES	21,566	59,972	+ 38,406
Employ. Notes Rec. Stk.	....	dr. 1,768	+dr. 1,768
Reserves	16,610	22,079	+ 5,469
Long Term Debt	....	7,851	+ 7,851
Preferred Stock	34,695	34,695	....
Common Stock	30,983	56,902	+ 25,919
Surplus	29,175	111,448	+ 82,273
TOTAL LIABILITIES	$133,029	$291,179	+$158,150
WORKING CAPITAL	$ 43,340	$ 99,284	+$ 55,944
CURRENT RATIO	3.0	2.6	— .4

tons, or roughly about 47 per cent. Total U. S. output this year will probably run close to 5,000 tons, but this is about 4,800 tons under the amount estimated by the Government for military aircraft needs alone. It is hoped that by 1956, U. S. output will have risen to 14,000 tons, but reaching this goal depends upon the ability to put additional production facilities into operation. The very complexity of the chemical process that extracts titanium metal from its ore makes plant construction slow. In addition it has been necessary to develop a new branch of metallurgical science for alloying and fabricating. Many of the problems existing in the beginning have already been met, and as further advances are made



* Plus 10% Stk Div.

it is almost certain that production will expand with increasing rapidity. This should be followed by a steadily growing demand for the metal for civilian needs for titanium metal has an unusual combination of intrinsic properties that should make it a prominent structural metal when it is available in adequate supply.

Entrance into Nickel Field

Another major development in the affairs of National Lead has been its acquisition in 1952 of the majority stock interest in the Nickel Processing Corp., contract operator of the United States Government-owned nickel plant and the nearby nickel mines at Nicaro, Cuba. Since January, 1952, when the plant was restored to operation, production has been steadily increased. Present plans call for further expansion of output by another 75 per cent under the General Services Administration authorization to National Lead Co., to carry out a $43 million expansion of the Government-owned nickel plant. Since the decision of the Government early this year to proceed with the plant expansion program, the necessary planning and engineering phases of the project have been advanced as an essential preliminary and late last July National Lead announced that it had made its selection of contractors to perform the construction necessary to expand the Nicaro plant.

In addition to this operation, the company has nearing completion a nickel-copper-cobalt refinery at Fredricktown, Mo., for the treatment of ores mined by National Lead from its nearby properties. Construction of this plant has been financed mainly by a Government loan, under a certificate of necessity, permitting accelerated write-off. Repayment of the principal and interest will commence six months after the plant goes into production and the entire output of the plant will be sold to the Government during the life of the contract.

Atomic Energy Developments

In addition to its many other diversified activities, National Lead continues to make substantial contributions to the expanding atomic energy field. Since May, 1951, when it was selected by the Atomic Energy Commission as contract-operator of the new $78 million feed materials production center, the company through National Lead Co. of Ohio, a wholly-owned subsidiary, has furnished vitally needed materials to AEC installations at other locations. This plant, located at Fernald, Ohio, is expected to become even more important now that the construction phase as originally planned has been completed, bringing it to the stage where it is officially regarded as "on stream." It is a completely integrated facility, handling uranium ore concentrates through many intricate manufacturing steps to finished uranium metal of extremely high purity. Another AEC project being operated by the company is a sampling plant at Middlesex, N. J., in addition to the operation since last July, under AEC contract, of the Commission's Winchester, Mass., laboratory which is primarily concerned with developing new processes for treating uranium-bearing ores to produce uranium concentrates.

From virtually the very beginning of the company in 1891, it has put great emphasis upon research, As a matter of fact, its research laboratories, created within a few months after the company had been incorporated, may be regarded as one of the oldest industrial laboratories in the U. S., out of which, with the cooperation of management, has come a record of continued progress and development represented at this time by some 150 basic products and hundreds of derivatives which the company and its subsidiaries are manufacturing.

It would be difficult to put a finger on any one of these basic products and say this is the most important one. For instance, it was only recently that National Lead developed a process for the extraction of iron from low-grade, non-magnetic ores. What value can be placed on this process today? It is a generally known fact that this country is approaching the time when its known principal iron ore deposits will be depleted. On the other hand, there are substantial deposits of low-grade, non-magnetic ores in the U. S., and the successful economical treatment of them would make this country less dependent on foreign sources for its requirements for years to come.

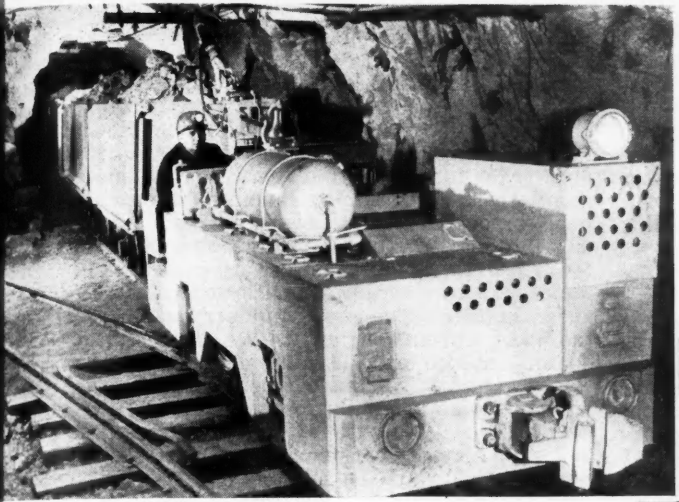
Joint Project with Republic Steel

Recognition of the possibilities of National Lead's process has already brought Republic Steel, the nation's third largest steel company, to join with National Lead in a project (*Please turn to page* 104)

Long Term Operating and Earnings Record

	Net Sales (Millions)	Operating Income (Millions)	Operating Margin	Income Taxes (Millions)	Net Income (Millions)	Net Profit Margin	Net Per Share	Div. Per Share	Percent Earned on Invested Capital	Price Range High Low
1954 (1st 6 months)	$209.2	$33.4[1]	16.0%[2]	$15.9	$17.5	8.3%	$ 1.46	$ 1.30[3]	......	55¾-38 [4]
1953	436.0	59.1	13.5	31.9	30.8	7.0	2.54	1.75	15.3%	38¾-29⅝
1952	358.0	43.4	12.1	25.3	23.0	6.4	2.06	1.45	14.9	33 -25¾
1951	389.9	57.1	14.6	36.6	22.9	5.9	2.05	1.41	15.5	33½-27½
1950	342.7	50.8	14.8	28.0	26.9	7.7	2.41	1.33	20.4	23¼-11⅝
1949	257.4	20.5	8.0	6.4	14.7	5.7	1.29	.75	12.4	12¾- 8½
1948	320.4	25.2	7.8	13.3	13.3	4.1	1.15	.41	11.7	16 - 9¾
1947	268.0	21.0	7.8	11.7	12.1	4.5	1.09	.66	11.8	12¼- 8½
1946	167.4	14.5	8.7	7.0	9.6	5.7	.82	.50	9.7	13⅝- 9
1945	167.5	10.3	6.1	4.6	6.5	3.9	.48	.33	6.7	12½- 8
1944	166.1	16.3	9.5	10.7	7.5	4.5	.59	.33	7.9	8½- 6¼
10 Year Average 1944-1953	$287.3	$31.8	10.2%	$17.5	$16.7	5.5%	$ 1.44	$ .89	12.6%	38¾- 6¼

1—Pre-tax income.
2—Pre-tax margin.
3—To Sept. 30, 1954.
4—To Sept. 24, 1954.



At left: Ore derived from one of block caving areas of Anaconda's Great Butte Project.

At bottom: Partial view of the pit operation, showing type of equipment used in Anaconda's Yerington, Nevada mine.

New Factors Affecting Copper-Aluminum Companies

By F. A. WILLIAMSON

Both the copper and aluminum industries are in an especially interesting position at this time. Copper is now subject to some new and important developments which have altered the recently unsatisfactory outlook to a considerable extent. Aluminum continues its long-term up-trend. Readers of The Magazine, of course, are familiar with the fact that some leading copper producers, in order to improve their competitive position against aluminum, have themselves entered the field. This is a longer-range development but holds significant promise.

In the following we present a review of the position and outlook for the copper producers, together with a brief summary of each company. We also present a compact review of each of the principal aluminum producers.

The Copper Industry

Put 1954 down as one of the sadder years for domestic copper mining companies. Hit by falling consumption on one side, and strikes on the other, earnings were bound to be nicked. The big consolation for copper producers is that, once normal operations are resumed, events are shaping up that could give them much improved results in 1955. The stock market, true to its hoary tradition of refusing to sell on strike news, has kept copper share values right near their highs for the year.

A representative group of nine copper companies' net income dropped about 12 per cent in the first six months of 1954 against the similar period of 1953. This decline was due mainly to decreased sales. A lower level of general industrial production and a pronounced drop in defense expenditures were responsible for slimmer copper shipments. Copper consumption (fabricators' deliveries) fell from a monthly average of 126,000 tons in the first half of 1953 to a monthly average of 102,000 tons in the first half of 1954, a 19 per cent decline. July and August shipments also were off from last year, and it now appears that the 1954 total will be down even if consumption should improve in the remaining months of this year.

To make matters worse, a wave of strikes at copper mines in this country and in Chile struck a hard blow at production. Since mid-August workers have been out at Anaconda, Kennecott, Phelps

Dodge, Inspiration, and Miami copper refineries or smelters here; and early in September strikes broke out at Anaconda and Kennecott mines in Chile. All these strikes already have taken a chunk out of production to the tune of 65,000 tons. Copper output, hence, will be off by at least 7 per cent this year, and possibly more depending on how soon settlements are reached and operations get into full swing. These circumstances coming on top of falling consumption doubtlessly spell reduced net income this year for copper producers.

Strikes Pose Problem

Strikes at the Phelps Dodge, Miami and Inspiration properties have been settled. On September 20 the Chilean Government announced a state of siege, thus forcing most of the workers back on the job.

On Oct. 2, last, the Chilean Government, in conjunction with Kennecott Copper, granted workers at the Braden Mine, Kennecott's Chilean subsidiary, a 26% wage increase.

Strikes have created a temporary tight supply situation in the red metal and have exerted an upward pressure on prices. Big domestic producers and smelters are trying to hold the line at the current 30 cents a pound level, but in a few cases small tonnages are reported to have been sold at 34 cents and more. In London, which also has experienced a copper shortage owing to curtailed American and Chilean production, the price of copper spurted to the equivalent of 34⅜ cents a pound on the London Metal Exchange. A feeling persists in trade circles here that spot prices probably may break through on the upside the hold-the-line policy of large domestic miners and smelters. The trade, in support of its opinion, declares that even if strikes ended right now it would take till late December to get back to normal.

In the face of falling consumption this year, the red metal increased in price from an average of 28.4 cents a pound in 1953 to 30 cents in April, 1954, and still stands at that price. This seemingly odd discrepancy between lower demand and higher prices is to be explained by the effort of the Chilean Government late last year to obtain a 36½ cent price by holding 200,000 tons of copper off the market; an effort ending in May, 1954 when the United States bought 100,000 tons of Chilean copper inventories at 30 cents a pound.

Stimulating Stockpiling Program

A new stockpiling directive is expected to bolster copper prices regardless of the effect of strikes. On September 21 the Office of Defense Mobilization instructed the General Services Administration to spend additional sums—in undisclosed amounts—to acquire domestic metals, copper among them, under the Government's long-term stockpiling program designed partly to strengthen the American mining industry. Besides, the directive also calls for the transfer to the minimum stockpile of around $400 million worth of ten metals (including copper) that are being delivered to the Government under contracts authorized by the Defense Production Act. Such transfers will remove an overhanging supply of copper, since the D.P.A. contracts authorized resale as well as purchase of the metal. Both directives will tend to firm the price of the red metal, and the first mentioned will enlarge its consumption.

Another upward pressure on prices most likely will come from higher labor costs once strikes are settled. Wage increases already have been obtained in strike settlements in this country, and it appears that Chilean workers, too, will win greater wage benefits. Increased labor costs will tend to narrow profit margins, unless offset by raised selling prices.

In order to understand why, in our opinion, 1955 might see marked improvement in sales and earnings for copper companies, it will be necessary to look into markets for the metal. Copper still remains the most important nonferrous metal playing a major role in the capital goods and consumer hard goods industries. Copper's number one customer is the electrical industries where it goes into conductors, machinery and equipment, and appliances. The two next principal copper consumers are the automobile and building construction industries in that order.

A rising level of consumer expenditures is buoying purchases of television sets and other electrical consumer goods. Introduction of new 1955 car models late this year is expected to give a fillup to automobile sales. And the strong upsurge in residential building to the highest level for any year except 1950 highlights a construction boom. These trends, plus additional outlays for Government stockpiling, should be translated into rising copper consumption, and should offset in good part the decline in defense spending. Although higher labor costs will tend to cut operating profits, this could be minimized by probable higher copper prices and increased sales. All in all, the net effect should show up in larger net income next year.

U. S. Still Largest Producer

Another encouraging note for domestic copper companies comes from the continued growth in the metal's production. 1953 output rose 59 per cent above the 1935-39 average, outstripping the 45 per cent gain in world production during the period. Of the five major copper producing countries—United States, Chile, Northern Rhodesia, Canada, and the Belgian Congo—only Northern Rhodesia with a 95 per cent increase surpassed American production growth in the period. But this country still remains the dominant world copper miner, accounting for 30 per cent of all world output.

Further encouragement for American production growth lies in the industry's expansion. By the end of 1957 capacity of the domestic copper mining industry will be enlarged by some 250,000 tons, thus adding more than 25 per cent to 1953 output. Five companies, including Anaconda, American Smelting, Copper Range, Magma, and Phelps Dodge, have just completed or have started new mine developments under the incentive of Government price contracts underwriting production of these mines at 22 to 25½ cents a pound.

Now follow comments on leading copper producers.

Anaconda Copper—A strongly situated company with extensive copper ore reserves and mine capacity, as well as the largest U. S. brass fabricator. Mine capacity being increased in this country and in Chile. An added sweetener is the company's entry into aluminum and uranium operations. Through the Anaconda Aluminum Company, Anaconda has significant participation in the aluminum industry. Construction of the aluminum reduction plant at

Columbia Falls, Montana is near completion with the first of two pot-lines ready for production by the end of this year. Another important new development, construction of the uranium processing plant, at Grants, New Mexico is already under operation. Despite being hard hit by strikes, the present $3.00 annual dividend seems secure, as the company should recover rapidly from its reverses. Although Chilean mines represent political, tax, and exchange difficulties, the Chilean Government needs the tax revenues and would rather see the mines prosper. Net income should drop about 20 per cent this year, more than the industry as a whole because of strikes. By the same token, the company's net should improve sharply in 1955.

Calumet & Hecla—A Government contract taking much of this small company's 1954-55 copper output at 27½ cents a pound, and production from the Osceola mine for 1955-62 at 25½ cents, at least assures maintenance of the 60 cent yearly dividend. The company also operates fabricating facilities to process steel and aluminum as well as copper, and holds a half interest in a copper chemicals maker. On the debit side is the notable decline of its copper output over the years (from 37.1 thousand tons in 1937 to 19.6 thousand tons in 1953), and of ore reserves and ore grade. Earnings this year, though, should hold up better than the industry as a whole because of the Government contract.

Consolidated Coppermines—Earnings may be off 30 per cent this year because of reduced operations at the Kennecott smelter which mills and smelts Consolidated's low-grade ore. Company is a high-cost producer, and its ore reserves are limited. Also holds a 64 per cent interest in a brass and bronze manufacturer. When the current strike at the Kennecott smelter is settled, Consolidated will have a backlog of ore to be treated. 1955 net, therefore, should snap back.

Copper Range—Now a fabricating company only, it will resume copper mining in 1955 with a good property, its White Pine mine with a yearly capacity of 35,000 tons. 310 million tons of ore have been blocked out containing 1.1 per cent copper, a low grade. Development of this mine being financed mainly by a $62.8 million RFC loan. Under terms of the loan, dividends are limited to a yearly rate of 80 cents a share. The White Pine mine should add somewhat importantly to total sales in the last half of 1955, and more so in 1956.

Granby Consolidated Mining — A high-cost producer operating a mine in British Columbia that apparently may die out in a few years. A new copper mine, also in B.C., now being developed jointly with Newmont Mining. Granby's interest in this mine will be 31⅛ per cent. Earnings this year should hold around the 1953 figure owing to a U. S. Government contract taking a good part of output. Net income may increase but moderately in 1955.

Inspiration Consolidated Copper — Its low-grade deposit smelted and refined by Anaconda. Although sales probably were off in the first half of 1954, a cut in the tax rate with ending of EPT lifted net about 10 per cent. However, total 1954 net should be down around 10 per cent due to a strike at its property and rising labor costs. Open pit mining, though, has reduced operating costs. Company expected to improve its net income in fair degree next year.

Kennecott Copper—Foremost world copper producer. In a very strong position with extensive ore reserves and lower-than-average operating costs. Mine expansion being pushed in this country and in Chile. Company hard hit by strikes, but lower net this year should be reversed easily in 1955 once normal operations are resumed. Further long-range prospects which add desirability to the company's shares are its huge titanium (*Please turn to page* 103)

Statistical Data on Leading Copper Stocks

	1952 Net Per Share	1952 Div. Per Share	1953 Net Per Share	1953 Div. Per Share	1954 1st Half Net Per Share	1954 Indicated Full-Year Div.	Price Range 1953-54	Recent Price	Indicated Div Yield
Anaconda Copper	$ 4.61	$ 3.50	$ 3.52	$ 3.00	$ 1.57	$ 3.00	45⅝-29	42	7.1%
Calumet & Hecla	1.27	.60	2.20	.75	.61	.60	11¼- 6½	11	5.4
Cerro de Pasco Corp.	8.79	2.00[1]	3.06	1.25[1]	.87	1.00[1]	38⅝-19⅝	31	3.2
Granby Consol. M. S. & P.	.67	.50	.86	.50	.37	......	13½- 6¾	12	....
Howe Sound	1.70	1.30	.62	.65	.22	.40	21¼- 9⅝	14	2.8
Hudson Bay Mng. & Smelt.	5.45	5.00	4.24	4.00	2.03	4.00	59¾-36¼	50	8.0
Inspiration Consol. Copper	3.69	2.75	4.21	3.00	2.19	3.00	34¼-18⅞	32	9.3
Kennecott Copper	7.96	6.00	8.20	6.00	3.89	6.00	87⅞-59⅛	87	6.8
Magma Copper	.84	......	4.76	......[2]	3.29	......	51⅝-19⅛	48	....
Miami Copper	3.54	2.00	5.12	2.00	2.18	2.00	32¾-18¾	30	6.6
Phelps Dodge	3.68	3.00	4.02	2.60	1.98	3.50	44⅝-29¼	43	8.1

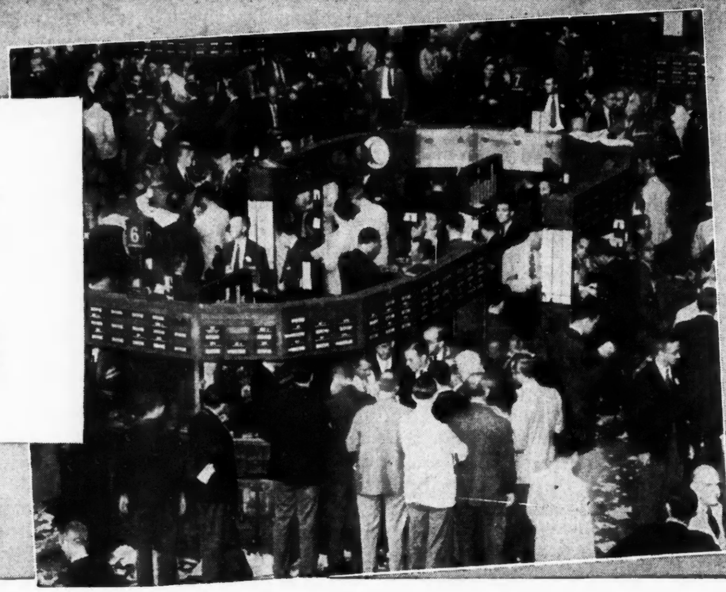
1—Plus stock. **2—Paid 10% in stock.**

Statistical Data on Leading Aluminum Stocks

	1952 Net Per Share	1952 Div. Per Share	1953 Net Per Share	1953 Div. Per Share	1954 1st Half Net Per Share	1954 Indicated Full-Year Div.	Price Range 1953-54	Recent Price	Indicated Div Yield
Aluminium, Ltd.	$ 2.73	$ 2.00	$ 2.16	$ 2.00	$ 1.09	$ 2.00	74⅜-37	69	2.8%
Aluminum Co. of Amer.	4.19	1.50	4.71	1.57½	1.80	1.60	90½-42½	82	1.9
Kaiser Aluminum & Chemical	3.10	1.30[2]	2.86	1.30[2]	3.36[1]	1.30	40¼-22½	36	3.6
Reynolds Metals Co.	8.72	1.00[2]	10.15	1.00[2]	5.07	1.50[2]	87½-42¾	84	1.7

1—Year ended May 31, 1954. **2—Plus stock.**

FOR PROFIT AND INCOME



Trouble?

At least for the Dow industrial average, September turned out to be the best month for the entire advance begun over a year ago; but an indecisive month for the rail and utility averages, with both remaining under their August bull-market highs to date. However, rails did have (also utilities) a modest net gain for the month. This makes the September record, for the entire history of the Dow averages: net gains by the industrial average in 27 instances, declines in 29; for rails, gains in 24 years, declines in 32. So September performance was better than the seasonal "odds" for the month. Long-term October performance has been better than in September, with industrial-stock gains in 28 years, declines in 29; rail gains in 26 instances, declines in 29. Perhaps the odds and logic can be confounded again this month. But October began with recent bullish enthusiasm somewhat subdued, following extraordinary September rise; whereas September began following a contra-seasonal net decline in August and a sharp sell-off in late August. These contrasting technical patterns suggest that the market may now be in for a spot of trouble; and that an October performance anywhere near as good as that of September – despite the scaling down of the latter's gains in the month's final two trading sessions –is surely not reasonable expectation.

Rails

Rail performance has for some time been better than rail news, but decidedly inferior to that of the industrial list; and has been neither better nor worse than a moderate trading-range fluctuation since the last high of this cycle was recorded early in August. Rail news is getting somewhat better in a negative sense, in that year-to-year shrinkage in traffic and earnings is narrowing. However, the possibility of material general rise in rail stocks any time soon would appear to hinge mostly on resumption of strong upward tendencies in industrials and resultant encouragement of speculative tendencies, with the latter spreading to rails on the basis of high yields from dividends which in many instances appear adequately protected. Development of really bullish rail news is not presently foreseeable, as car loadings are expected to remain under the year-ago level through the fourth quarter.

Utilities

So far as new buying is concerned, utilities have lost considerable investment appeal because of (1) a rise in prices sufficient to cut average yield to around 4.7%; and (2) the evident fact that the bond market has had either all, or the major part, of the cycle of rise, paralleling money-rate trends, which began over a year ago and reached its crest to date before mid-August. On the other hand, owners of utility stocks, bought at lower prices for income, have little or no reason to sell. The factors cited would seem to argue for a continuation of the group's recent narrow trading range.

INCREASES SHOWN IN RECENT EARNING REPORTS

		1954	1953
Allied Mills Inc.	Year June 30	$4.07	$2.69
Food Fair Stores Inc.	12 weeks July 24	.73	.47
Oliver Corp.	9 mos. July 31	.86	.63
Hilton Hotels Corp.	Quar. June 30	1.03	.69
Pabco Products Inc.	Year June 30	1.15	.90
Federated Dept. Stores	13 weeks July 31	.65	.37
Kimberly-Clark Corp.	Quar. July 31	1.37	1.02
Lockheed Aircraft	6 mos. July 4	4.05	3.42
Marathon Corp.	9 mos. July 31	1.43	1.14
Ingersoll-Rand Co.	6 mos. June 30	5.77	4.88

Stock Splits

This year there have been very few exceptions to the rule of stocks advancing, usually considerably, in advance of split news. They do so to some extent on rumors, but mainly on informed buying by "insiders" and others who have been favored with tips from inside sources. The outsider has little chance to foresee a split. Less depends on a relatively high market price than on the thinking of management. In some cases, family control seems to argue against a split, with the insiders uninterested in broadening the number of shareholders. On the record to date, that would appear to be so of Superior Oil of California, currently priced at 725; and of Rohm & Haas, now at 245. So far as price is concerned, both have long been in "split territory." On the other hand, the closely-held Outboard Marine & Manufacturing was split 3-for-1 not long ago when it was selling around 80. On the basis of price, recent market action in some cases, and pure "hunch", here are a few possibilities for splits: Bendix Aviation, Corning Glass Works, duPont, Goodrich, Reynolds Metals and Standard Oil (New Jersey).

General Motors

While Chrysler has, at current price, risen about 13 points from its 1954 low, it remains 29 points under its 1952 high; while General Motors has risen about 21 points from its 1954 low (which was in no sense a depressed one), and stands about 32 points above its best 1952 level. The stock's relatively large recent rise has both generated and been partly caused by a variety of rumors about coming "good news". There is conjecture about (1) a 2-for-1 stock split; (2) a stock dividend of maybe 25% or so; and (3) a year-end extra of maybe $1.50 to $2, as against earlier expectation of a $1 extra. Time will tell. There is nothing official to go on. However, rumor No. 3 would seem more plausible than the others; and rumor No. 1 least plausible of the three lines of conjecture. The company already has a little over 87 million shares of common outstanding. If split 2-for-1, there would be more than one share outstanding for every man, woman and child in the country. Thanks to EPT lapse, earnings might be as much as $8.50 a share this year, against 1953's $6.69. There is almost surely good dividend news ahead—the question being how much. A $1.50 extra would mean total payments of $5.50, yielding 6.1% at present price; a $2 extra would mean a $6 total, or yield of 6.6% at present price. Remember, however, that a year-end extra is always worth less in market value than a proportionate boost in a regular dividend rate.

Stock Groups

Among stock groups showing above-average demand in September, and prior to some market recession at this writing, are: air transport, automobiles, copper and miscellaneous metals, proprietary drugs, office equipment, oils, paper, department stores, steel and tires. Any performance up to yesterday is of course, past history; and its possible bearing on the near future becomes all the more doubtful at a time when the general market advance shows some signs of wavering. On the basis of immediate technical position, most of the groups cited would appear in need at least of a "rest", particularly oils, coppers, autos, drugs, paper and tires.

DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1954	1953
American Export Lines Inc.	Quar. June 30	$ .11	$1.22
Atlas Plywood Corp.	Year June 30	.28	1.41
Louisville & Nashville R.R.	7 mos. July 31	3.97	7.73
A.C.F. Industries Inc.	Quar. July 31	1.84	2.43
U.S. Plywood Corp.	Quar. July 31	.65	.88
Western Union Telegraph Co.	7 mos. July 31	2.93	3.74
Illinois Central R.R.	7 mos. July 31	3.10	4.95
Brown & Bigelow	6 mos. July 31	.51	.60
U.S. Lines Co.	6 mos. June 30	1.48	2.21
Bulova Watch Co.	Quar. June 30	1.06	1.31

Stocks

There usually is more prophetic significance in strong performance of individual stocks in a soft than in a rising market. Some currently strong issues include Cities Service, Caterpillar Tractor, Columbia Broadcasting, Eaton Manufacturing, Gould National Batteries, Lehigh Portland Cement, Mission Development, Remington Rand, Shell Oil, Texas Gulf Producing, Ferro Corp., Thompson Products and Westinghouse Electric.

Yields

Following protracted market rise, good yields on stable-income stocks are, of course, increasingly scarce. To get a return around 6% or so, without going into speculative, cyclical-type stocks, you have to "trade down" to some extent. You cannot get it in the "best names" among income stocks, and you cannot get it on income stocks with wide dividend coverage. As noted here before, the small-loan business is uncommonly stable, and prospects are satisfactory for the foreseeable future. The leading stocks—Household Finance and Beneficial Loan—are on a yield basis no longer particularly inviting. But dividends of such smaller, but quite sizable and well-established, companies as American Investment, Family Finance and Seaboard Finance appear adequately secure, considering that the character of the business justifies a liberal percentage pay-out of earnings. American is currently selling on a 5.8% yield basis, Family Finance on more than 6.5% basis, Seaboard on about a 6.6% basis. In the shoe manufacturing and retailing field, Melville Shoe, with a fine record and strong finances, is paying a $1.80 dividend out of earnings around $2 a share, yielding 6% at current price. Cigarette stocks may have suffered the worst effects of the cancer-scare publicity, but remain under something of a cloud. Investors willing to ignore the latter can get 6.2% yield on Reynolds Tobacco "B" from a $2.40 dividend well covered by estimated 1954 earnings around $4 a share. The highly static snuff business apparently has not suffered on health-scare grounds. With some EPT relief, net of American Snuff in the first half was over 9% above that of the 1953 first half; and full-year profit prob-

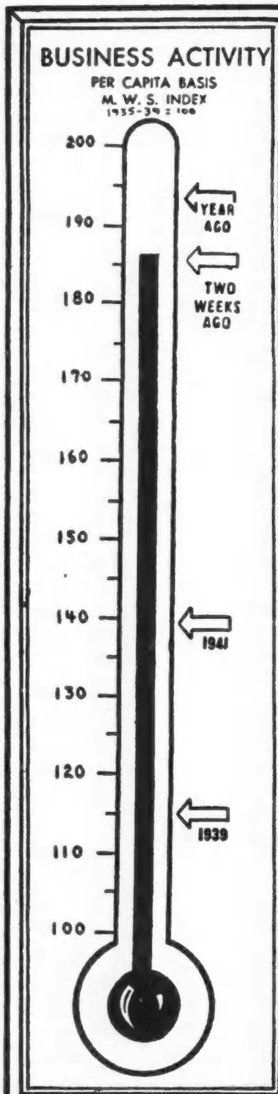
(Please turn to page 108)

The Business Analyst

What's Ahead for Business?

By E. K. A.

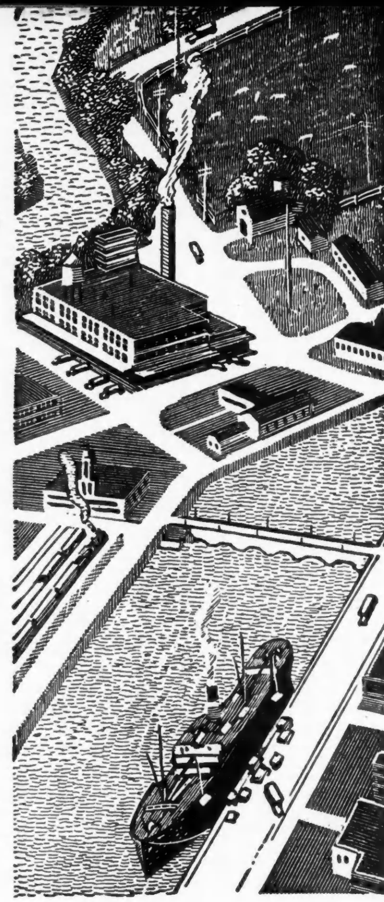
Business inventory data recently released by the Department of Commerce appear to put a new face on the inventory adjustmnt situation, and suggest that it still may be many months before inventory contraction is completed and industrial activity can begin to move upward. This interpretation of the data, appears to be somewhat superficial, and it is more likely that inventory adjustment is nearing completion than pessimists believe.



Total business inventories during July, the latest month for which data are available, contracted by $629 million. This was the sharpest decline for any month since the downturn in stocks began in October, 1953. At the present time, total business inventories—which include those of manufacturers, wholesalers, and retailers—are approximately $78 billion as compared with the all-time peak of $82 billion on September 30, 1953.

During the last quarter of 1953, the average monthly decline in total inventories was $309 million; during the first quarter of this year, $326 million; and during the second quarter, $367 million. Considered along with the July rate of $629 million, these figures seem to indicate that inventory contraction is being accelerated rather than slowing down, as reports from various segments of business activity have stated.

However, detailed analysis of the components of the Commerce Department inventory data leads us to a different conclusion. The very sharp July dip in total business inventories was largely the result of (1) a substantial contraction in stocks of finished goods by durable goods manufacturers and (2) a substantial contraction in stocks by durable goods retailers. Actually, as the details show, automobiles bulked very large in both of these moves. They represented a concerted effort on the part of both producers and dealers to eliminate stocks of 1954 model cars insofar as possible before new 1955 models were introduced.



Viewed in this light, the very sharp July inventory dip is much less disconcerting. In addition, the details of the inventory data reveal trends that are definitely encouraging. Nondurable goods manufacturers began to pare their inventories a little earlier in the latter part of 1953 than did durable goods manufacturers and, judged by the evidence of recent months, already have completed their inventory adjustment program. Since early this year, retailers of nondurables have increased their stocks a little, apparently in response to the stepped-up buying of soft goods by consumers.

Historically, trends in the soft goods industries almost invariably have preceded similar trends in the durable goods industries by a few months. This fact alone furnishes reason to believe that the inventory adjustment in hard goods is nearing its end. But, this is not enough for a definite conclusion.

The answer appears to lie in the data on manufacturers' inventories by stages of fabrication, publication of which recently was resumed by the Commerce Department. These show that, until only a short time ago, inventory reduction by manufacturers was entirely in purchased materials and goods in process. Stocks of finished goods continued to rise until this Spring and only during July did they show a reduction of consequence. Durables accounted for all of the rise in finished goods inventories during the first half of this year.

It is known that since July, stocks of automobiles and other consumer durables both in the hands of producers and dealers have been reduced rather sharply. On some lines of goods, it has become difficult—owing to the improved situation—to obtain price concessions comparable with those obtainable during the earlier months of this year. All of this now begins to add up. Quite apparently, the accelerated pace of inventory decline during July—which reportedly continued during the rest of the Summer—came close to putting the finishing touches on the inventory adjustment program in durables. Within the next few months, it is likely that we will witness a stabilizing of hard goods inventories, such as already has been witnessed in soft goods.

The Business Analyst

HIGHLIGHTS

MONEY & CREDIT—The month of September has proved to be a record-breaker for new bond issues with $1.5 billion worth offered last month, the biggest total ever floated in a thirty-day period and way ahead of last year's flotations which amounted to $988 million. States and municipalities led the lists last month with offerings of $759 million, most of which is to be used for housing and highway projects. At the same time corporate offerings came to $605 million, up from $422 million a year ago. In this field, however, refundings played an important role, amounting to some $250 million as corporations took advantage of currently low interest rates to reduce carrying charges on their debts. Corporate issues for the purpose of raising new money were actually lower last month than in September, 1953, a normal development in view of the declining trend of corporate expenditures for new plant and equipment. The month of October will be a much quieter one for the new issue market with corporate borrowers taking a breather after last month's activity. There has been a sizeable reduction in corporate offerings being prepared for market, with the sum of such obligations on which definite offering dates have been set, down to $464 million at the beginning of October against $781 million a month earlier.

Institutional and individual buyers of fixed income securities have been well supplied with funds in recent months and September's large offerings were absorbed without much trouble. Seasoned Federal and corporate obligations gave some ground in the first half of September but have held steady since then. From the middle of last month through October 4, long-term Treasuries have added 1/16 point while best-grade corporates have remained virtually unchanged during the same period. There has been some indigestion in the tax-exempt field where the demands for new money have been greatest and where large new issues still remain to be sold. As a result, the Bond Buyer's index of municipal yields rose to 2.35% at the end of September from 2.26% a month earlier.

The commercial banks are still having trouble in finding borrowers for their commercial, industrial and agricultural loans, according to member bank reports. In all previous post-war years such loans were higher at the end of September than they had been in mid-year. This year, however, there has been a decline of more than $850 million. Although this drop has been intensified by redemption of $500 million of CCC loans which are not part of normal bank lending, still, after discounting for this factor, a substantial decline in loans still remains and September has given no visible signs of an upturn. All this seems to indicate that businessmen are still cutting inventories, a whole year after the drive to reduce inventories had its beginning.

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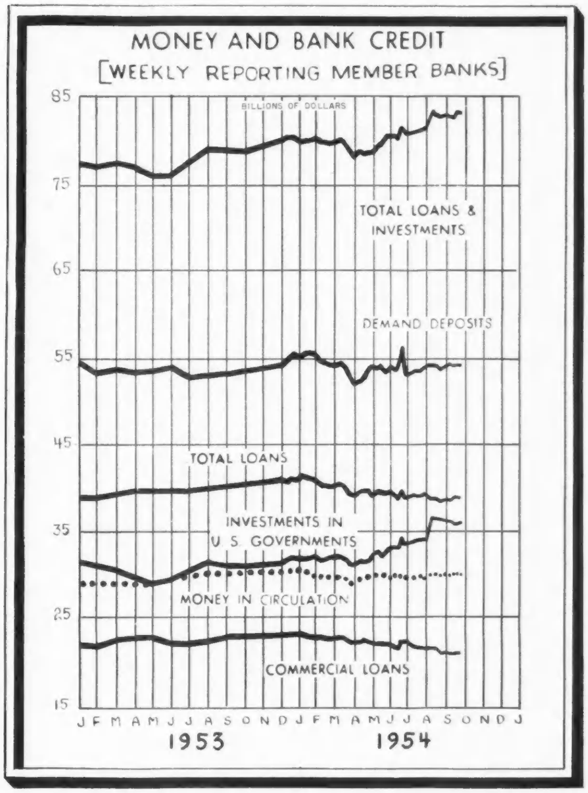
TRADE—Retail sales were proceeding at a steady pace as September drew to a close, with the total dollar volume for the week ending Wednesday, September 29, about 1% below the corresponding 1953 period, according to estimates by Dun & Bradstreet. Best showing was in the New England area where sales were 4% ahead of a year ago while the Midwest and Pacific Coast sections lagged, dropping 4% under a year ago. Apparel was in good demand in the latest week and food sales held above the corresponding 1953 period. Household goods showed improvement but sales of both new and used autos were lower.



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INDUSTRY—Industrial output has improved seasonally in September according to the report of the National Association of Purchasing Agents which noted that incoming orders have also picked-up. Prices of industrial materials have been firm and factory employment has risen somewhat. Manufacturers reported further inventory reductions in September but a trend towards stabilization in this area was manifesting itself, spurred by the improvement in orders. Home construction was proceeding at a rapid pace last month and completed dwellings were in demand.

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COMMODITIES—Sensitive commodities were steady in the two weeks ending October 1, according to the Labor Depart-

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Aug.	3.2	2.9	3.8	1.6
Cumulative from mid-1940	Aug.	561.0	557.8	514.0	13.8
FEDERAL GROSS DEBT—$b	Sept. 28	274.7	274.7	273.0	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Sept. 22	54.5	54.5	52.8	26.1
Currency in Circulation	Sept. 29	29.9	29.9	30.3	10.7
BANK DEBTS—(rb3)**					
New York City—$b	Aug.	60.1	63.0	46.9	16.1
344 Other Centers—$b	Aug.	95.1	95.6	90.7	29.0
PERSONAL INCOME—$b (cd2)	July	287	287	288	102
Salaries and Wages	July	196	196	201	66
Proprietors' Incomes	July	49	49	48	23
Interest and Dividends	July	24	24	23	10
Transfer Payments	July	16	16	14	10
(INCOME FROM AGRICULTURE)	July	16	16	15	3
POPULATION—m (e) (cb)	Aug.	162.7	162.4	159.9	133.8
Non-Institutional, Age 14 & Over	Aug.	116.3	116.2	115.2	101.8
Civilian Labor Force	Aug.	65.5	65.5	64.6	55.6
Armed Forces	Aug.	3.3	3.3	3.4	1.6
unemployed	Aug.	3.2	3.3	1.2	3.8
Employed	Aug.	62.3	62.1	63.4	51.8
In Agriculture	Aug.	6.9	7.5	7.5	8.0
Non-Farm	Aug.	55.3	54.7	55.9	43.2
Weekly Hours	Aug.	42.2	38.4	43.1	42.0
EMPLOYEES, Non-Farm—m (1b)	Aug.	48.0	47.8	50.0	37.5
Government	Aug.	6.5	6.5	6.4	4.8
Trade	Aug.	10.3	10.4	10.4	7.9
Factory	Aug.	12.5	12.2	14.1	11.7
Weekly Hours	Aug.	39.7	39.4	40.5	40.4
Hourly Wage (cents)	Aug.	1.79	1.80	1.77	77.3
Weekly Wage ($)	Aug.	71.06	70.92	71.69	21.33
PRICES—Wholesale (lb2)	Sept. 28	109.7	109.9	111.0	66.9
Retail (cd)	July	209.6	209.0	210.1	116.2
COST OF LIVING (lb2)	July	115.2	115.1	114.7	65.9
Food	July	114.6	113.8	113.8	64.9
Clothing	July	104.0	104.2	104.4	59.5
Rent	July	128.5	128.3	123.8	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	July	14.3	14.4	14.5	4.7
Durable Goods	July	4.9	5.0	5.1	1.1
Non-Durable Goods	July	9.4	9.4	9.4	3.6
Dep't Store Sales (mrb)	July	0.85	0.85	0.86	0.34
Consumer Credit, End Mo. (rb)	July	27.8	27.8	27.6	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	Aug.	22.7	22.6	22.3	14.6
Durable Goods	Aug.	10.0	9.7	10.1	7.1
Non-Durable Goods	Aug.	12.7	12.9	12.2	7.5
Shipments—$b (cd)—Total**	Aug.	23.7	24.1	25.1	8.3
Durable Goods	Aug.	11.0	11.3	12.7	4.1
Non-Durable Goods	Aug.	12.6	12.8	12.3	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	July	78.4	79.0	81.1	28.6
Manufacturers'	July	44.2	44.5	46.5	16.4
Wholesalers'	July	11.7	11.9	11.9	4.1
Retailers'	July	22.4	22.6	22.7	8.1
Dept. Store Stocks (mrb)	July	2.5	2.4	2.6	1.1
BUSINESS ACTIVITY—1—pc	Sept. 25	186.8	186.0	194.5	141.8
(M. W. S.)—1—np	Sept. 25	233.5	231.5	239.1	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 93)

ment's index of 22 such commodities. This index, which stood at 90.5% of the 1947-1949 average on September 17, showed a nominal drop of 0.1% two weeks later. Raw foods were lower during the period, losing 2.4%. Industrial commodities gained 1.4%, metals were up 2.0% and textiles were 0.4% higher.

* * *

The **STEEL INDUSTRY** has experienced real improvement in recent weeks with new business increasing as the result of low consumer inventories. The betterment has occurred without much help from the auto industry which is still in the throes of conversion to new models. Steel makers' ingot output was up to 70.4% of capacity in the week ending October 2, the highest level since the end of June. Production in recent weeks has been below consumption as customers lived off inventory. Now, it appears that many users are near the bottom of the barrel and the recent pick-up in reordering can well continue for some time. Further impetus should be derived from increased automotive orders, expected later this month.

* * *

The **WORKING CAPITAL** of U. S. corporations rose to $94.1 billion on June 30, 1954, a gain of $1.2 billion from March 31 and $1.3 billion above a year ago, according to figures compiled by the Securities & Exchange Commission. The improvement in the liquid condition of corporations in the past twelve months has been the result of an $8.8 billion decline in current liabilities while current assets fell only $7.5 billion. Federal income tax liabilities had the biggest drop of any item, declining $4.0 billion to $11.6 billion, the lowest level in four years. This reduction is due in part to the expiration of excess profits taxes and lower corporate earnings.

In addition to the $1.2 billion increase in working capital in the second quarter, corporations also invested $5.8 billion in new plant and equipment during the period. To finance this $7.0 billion expansion in necessary funds, corporations obtained about $5.3 billion from internal sources, namely retained earnings and depreciation reserves. External funds consisted of $1.0 billion in new stock issues and $700 million of long-term borrowing.

* * *

New orders for **MACHINE TOOLS** improved in August and the index of such orders, compiled by the National Machine Tool Builders Association, rose to 147.0% of the 1945-1947 average, from 124.7% the previous month. Shipments at 202.9% of the base period were down slightly

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—la np (rb)	Aug.	124	124	136	93
Mining	Aug.	111	113	119	87
Durable Goods Mfr.	Aug.	135	134	157	88
Non-Durable Goods Mfr.	Aug.	116	115	119	89
CARLOADINGS—t—Total	Sept. 25	710	711	820	933
Misc. Freight	Sept. 25	352	352	398	379
Mdse. L. C. L.	Sept. 25	65	64	71	66
Grain	Sept. 25	51	51	53	43
ELEC. POWER Output (Kw.H.) m	Sept. 25	9,072	9,074	8,354	3,266
SOFT COAL, Prod. (st) m	Sept. 25	8.1	7.9	9.7	10.8
Cumulative from Jan. 1	Sept. 25	271.0	262.9	334.1	44.6
Stocks, End Mo.	Aug.	68.6	67.2	78.0	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Sept. 24	6.2	6.2	6.5	4.1
Gasoline Stocks	Sept. 24	151	152	140	86
Fuel Oil Stocks	Sept. 24	57	57	52	94
Heating Oil Stocks	Sept. 24	126	124	126	55
LUMBER, Prod.—(bd. ft.) m	Sept. 25	270	243	258	632
Stocks, End Mo. (bd. ft.) b	July	9.0	9.1	7.8	7.9
STEEL INGOT PROD. (st) m	Aug.	6.7	6.6	9.4	7.0
Cumulative from Jan. 1	Aug.	57.5	50.8	76.6	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Sept. 30	234	341	341	94
Cumulative from Jan. 1	Sept. 30	10,828	10,594	11,396	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Sept. 25	211	235	227	165
Cigarettes, Domestic Sales—b	July	32	35	33	17
Do., Cigars—m	July	435	533	464	543
Do., Manufactured Tobacco (lbs.)m.	June	14	18	16	28

PRESENT POSITION AND OUTLOOK

during the month while output, at 357.2% of the 1945-1947 base, was down from 362.7% in July, but way above the volume of incoming orders. With shipments above new orders, there was a further drop in order backlogs. It would have taken 3.2 months at current output rates to complete all orders on the books at the end of August. This compares with 3.4 months in July and 7.3 months in August, 1953, at then-current rates of production.

* * *

BUSINESS FAILURES rose 7% in August with 912 firms closing their doors, a post-war peak for the month. The rate of failure, as measured by Dun's Failure Index, which is seasonally adjusted, was up to 44 casualties for each 10,000 enterprises listed in the Dun & Bradstreet Reference Book, from 34 a year ago. **LIABILITIES** of failing firms were only 1% higher in August than in July, amounting to $23.6 million, but the increase from a year ago was 14%. Small firms had the biggest rise in failures over August, 1953 with casualties in the under $25,000 group rising 25%. Failures with liabilities in excess of $100,000 were up 15% from a year ago. Firms operating less than five years accounted for 57% of the month's total casualties while one out of five failing concerns had started in business last year.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. 1—Seasonally adjusted index (1935-9—100). la—Seasonally adj. index (1947-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

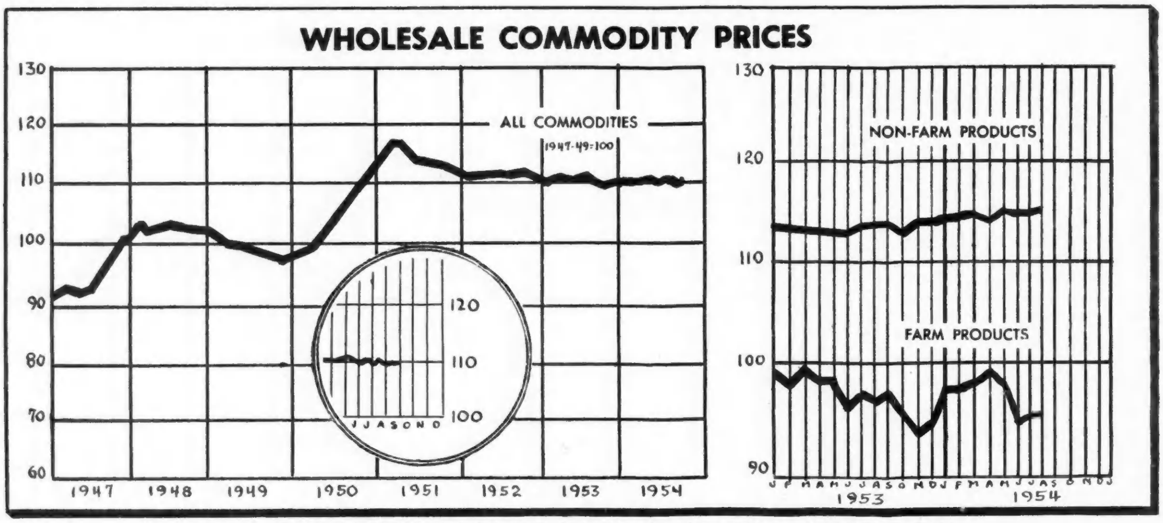
No. of Issues (1925 Cl.—100)	1953-'54 Range High	1953-'54 Range Low	1954 Sept. 24	1954 Oct. 1
300 COMBINED AVERAGE	245.1	179.0	245.1	243.5
4 Agricultural Implements	263.3	179.0	222.0	222.0
10 Aircraft ('27 Cl.—100)	776.2	330.3	747.6	743.5
7 Airlines ('27 Cl.—100)	719.2	492.6	719.2	699.5
7 Amusements	135.7	76.4	133.1	129.7
10 Automobile Accessories	289.4	213.8	269.1	276.1
10 Automobiles	49.4	38.4	42.0	42.4
3 Baking ('26 Cl.—100)	28.0	23.0	24.4	24.2
3 Business Machines	580.3	311.4	552.2	580.3A
2 Bus Lines ('26 Cl.—100)	319.5	170.2	314.8	312.5
6 Chemicals	450.5	337.9	450.5	443.2
3 Coal Mining	15.4	9.0	11.1	11.1
4 Communications	87.0	58.6	86.4	85.2
9 Construction	90.3	57.9	89.0	89.7
7 Containers	667.1	456.9	657.3	642.6
9 Copper & Brass	198.4	125.3	198.4	192.9
2 Dairy Products	129.1	82.3	121.8	122.8
5 Department Stores	73.2	54.6	71.0	69.9
5 Drug & Toilet Articles	296.8	203.8	296.8	292.0
2 Finance Companies	542.4	341.8	538.4	542.4A
2 Food Stores	246.1	113.0	244.2	240.4
2 Food Stores	151.6	113.0	146.3	144.9
3 Furnishings	79.2	59.6	63.0	64.9
4 Gold Mining	760.0	502.3	653.0	627.9

(Nov. 14, 1936, Cl.—100)	High	Low	1954 Sept. 24	1954 Oct. 1
100 HIGH PRICED STOCKS	160.5	114.4	160.5	159.9
100 LOW PRICED STOCKS	287.0	203.7	286.4	283.9
4 Investment Trusts	131.6	93.1	131.6	130.7
3 Liquor ('27 Cl.—100)	967.8	805.8	942.9	917.2
11 Machinery	285.5	181.0	281.4	281.4
3 Mail Order	153.0	101.0	147.7	153.0
3 Meat Packing	103.7	78.7	103.7	101.1
10 Metals, Miscellaneous	311.6	198.4	301.5	295.5
4 Paper	710.6	394.9	710.6	705.9
24 Petroleum	533.3	376.5	533.3	529.2
22 Public Utilities	229.4	173.8	227.4	227.4
8 Radio & TV ('27 Cl.—100)	36.9	27.6	35.6	35.3
8 Railroad Equipment	64.1	49.1	62.9	62.4
20 Railroads	53.2	41.8	52.3	51.8
3 Realty	76.2	42.3	75.2	73.6
3 Shipbuilding	468.3	228.7	447.8	436.1
3 Soft Drinks	433.3	339.0	395.3	399.1
11 Steel & Iron	174.1	122.8	174.1	170.2
3 Sugar	59.8	45.9	51.9	51.4
2 Sulphur	741.6	525.6	741.6	741.6
5 Textiles	162.2	101.3	122.6	125.6
3 Tires & Rubber	120.8	70.4	120.8	119.1
5 Tobacco	105.2	73.5	82.8	82.0
2 Variety Stores	319.5	274.4	277.2	277.2
16 Unclassified ('49 Cl.—100)	130.1	97.0	127.0	127.0

A—New High for 1953-1954.

Trend of Commodities

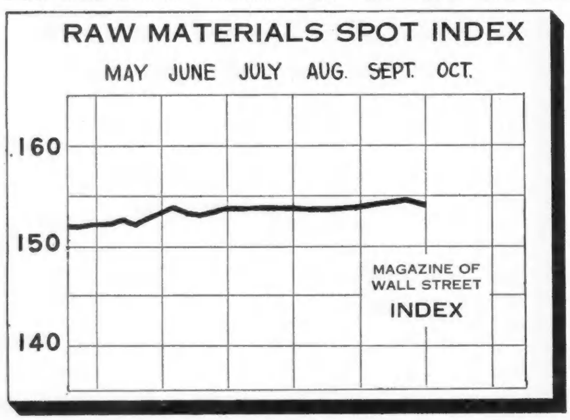
Commodity futures prices were moderately lower in the two weeks ending October 5 and the Dow-Jones Commodity Futures Index lost 1.9 points to close at 171.26. May wheat was down 1 cent during the period to close at 216¾. On the basis of preliminary reports, a world wheat crop of 6,870 million bushels is indicated for 1954. This represents a decrease of 5% from 1953 but is still above average. The European harvest appears to be larger than last year's but poor weather has made a sizeable portion of the grain unfit for milling. The Canadian crop is also reported to be of poor grade and all this should eventually make for increased foreign interest in U. S. wheat. Meanwhile, however, our big supplies act as a deterrent to immediate advances. Corn futures were slightly lower in the two weeks ending October 5. The May option lost ¾ cent to close at 157⅜. With the approach of the seasonal expansion in marketing, buyers are hesitant about bidding up for the grain. However, the Fall pig crop is expected to be about 14% above last year and this should act to limit farm offerings of the grain. The loan is also available to farmers who will impound their crops if market prices are not to their liking. May cotton lost a bare 8 points in the fortnight under review to close at 35.44 on October 5. There is a feeling in the trade that the Department of Agriculture underestimated the size of the crop in its September forecast and that the October report would predict a higher figure. The Census Bureau report on ginnings showed that 3,376,000 bales of cotton were processed to September 16 this year as against only 2,942,000 bales for the comparable 1953 period. Although portions of this year's crop are moving to market early because of premature opening of bolls, still it is doubted that this fully explains the big increase in ginnings.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices—1947-1949, equals 100

	Date Oct 1	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	90.4	90.5	93.0	86.7	53.0
9 Foodstuffs	93.1	95.3	102.0	95.3	46.1
3 Raw Industrial	88.4	87.1	87.2	81.0	58.3

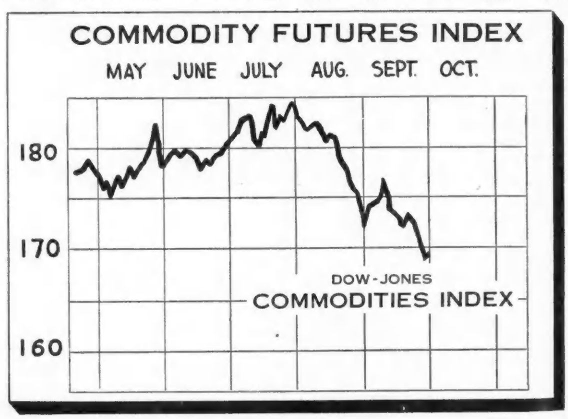
	Date Oct. 1	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
5 Metals	99.6	97.6	95.4	85.7	54.6
4 Textiles	88.9	88.5	88.3	87.4	56.3
4 Fats & Oils	68.8	69.7	74.0	63.6	55.6



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1953-'54	1952	1951	1945	1941	1939	1938	1937
High	162.2	181.2	215.4	111.7	88.9	67.9	57.7	86.6
Low	147.8	160.0	176.4	98.6	58.2	48.9	47.3	54.6



Average 1924-26 equals 100

	1953-'54	1952	1951	1945	1941	1939	1938	1937
High	183.7	192.5	214.5	95.8	74.3	78.3	65.8	93.8
Low	153.8	168.3	174.8	83.6	58.7	61.6	57.5	64.7

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

General Mills, Inc.

"I have been a subscriber to your valued magazine for a good number of years and have taken advantage of your personal consultation service from time to time. I would like at this time to receive late pertinent data on General Mills.

S. A., Minneapolis, Minn.

General Mills reported record high sales of $487,587,179 for the year ended May 31st, 1954. Net earnings were $11,188,583 compared with $11,468,171 for the previous year.

Common stock earnings per share were $4.50. Net earnings per dollar of sales were 2.3¢ compared with 2.4¢ the year previous. Earnings were divided between dividends on preferred and common stocks, totaling $6,709,-116 and reinvestment in the business of $4,479,737.

Earnings during the year were adversely affected by two factors: 1)—a 3-week strike in April, which closed 28 company plants, and 2)—a loss resulting from the sale of the home appliance business.

During the year, the company continued an energetic expansion program, having authorized more than $10,000,000 for new or improved plant facilities. New food plants began operations in Toledo, Ohio, and Louisville, Kentucky; plans were announced for two new formula feed plants in Belmont, Iowa and Stockton, California.

Last December, the company announced plans to enter the Canadian market, initially with selected items of the Grocery Products Line. Early in 1954, construction began of a modern plant on a 56 acre plot in a suburb of Toronto, Ontario. Canadian operations will be conducted by General Mills (Canada) Ltd., a wholly-owned subsidiary company.

Several new products — results of the research department's food development program—were added to the company's Grocery Products Line during the year. Betty Crocker, Angel Food Cake Mix and Sugar Jets, a sweetened cereal, achieved national distribution.

Surechamp Dog Food, made its debut on the West Coast. Betty Crocker Chocolate Fudge Brownie Mix was prepared for distribution in 1954-55.

Dividends, including extras, totaled $2.75 a share in 1953 and 62½¢ quarterly has been paid thus far in the current year.

The company has a strong position in the package food field and also in the flour milling lines. As outlook over the longer term appears favorable, the shares merit retention.

C.I.T. Financial

"I am a new subscriber to your highly recommended magazine. I would appreciate receiving recent earnings of C.I.T. Financial Corp. and also would like to know prospects for the company. I understand that the dividend yield is satisfactory and that this company is well established in the finance field."

C. O., Milwaukee, Wisconsin

For the first six months of 1954, C.I.T. Financial Corporation reported record net income from operations of $17,649,278, equivalent to $1.89 a share on the common stock and this compares with $16,391,130, or $1.70 per share for the first half of 1953. The 1954 result was higher than for any previous first six month period in the company's history.

Total consolidated net earnings for the first six months of 1954—including the non-recurring profit from the sale of National Surety Corporation, a subsidiary which was sold in January of this year — amounted to $2.44 a share. C.I.T. realized a net profit of $5,-033,048 or 55¢ a share, from this transaction.

With earnings running ahead of last year, the outlook for the balance of the year appears satisfactory. However, although operations will continue at very substantial levels, the company's volume of business for the year is not expected to match the record volume of 1953.

Deferred income and unearned premiums, which will benefit future gross earnings, continue at a high figure. At June 30th, 1954, they amounted to $137,737,680, compared with $137,700,938 at June 30th, 1953.

Outstanding receivables of all subsidiaries at June 30th, 1954 amounted to $1,459,393,868, compared with $1,400,957,324 a year earlier. Volume of receivables purchased by the financing and factoring subsidiaries during the first half of 1954 was $2,050,177,-546, compared with $2,289,504,-389 for the same period in 1953. Credit and collection experience has been satisfactory in all divisions of the corporation's business

Retail motor vehicle installment receivables outstanding at

June 30th, 1954 amounted to $891,968,362, compared with $856,470,360 a year earlier. Purchase of retail motor receivables in the first half of 1954 aggregated $448,307,852 compared with $545,820,327 in the like 1953 period. This reduction was due primarily to a decline in the financing of used automobiles. In recent months, the volume of both new and used car financing has shown improvement and earnings of the auto financing subsidiaries continue to be excellent.

During the first six months of this year, the volume of receivables purchased by the industrial financing division—which includes the acquisition of receivables covering production machinery, construction equipment and a variety of other products — total $93,719,603, compared with $128,170,151 in the like 1953 period. At the end of the period, outstanding receivables aggregated $188,478,300.

Combined volume of receivables purchased by the factorying subsidiaries were $457,414,199 for the first half of this year, compared with $522,967,293 for the same period last year.

On August 2nd, 1954, the corporation issued $50,000,000 of 15 year Junior Subordinated Notes, which favorably affects the base for future borrowings. These funds were borrowed from an insurance company at an interest rate of 3⅝%.

The entire outstanding issue of $50,000,000 of $4.00 serial preference stock was redeemed during the months of March and May in the current year, saving annual dividend requirements of $2,000,000 which had been a prior charge against earnings on the common stock.

The $2.00 annual dividend rate appears amply safe.

The company's operations have been diversified through insurance interests, modernization loans, textile factorying and other credit operations. Financing of automobiles is still the principal volume producer.

Quaker Oats Company

"I have a modest investment in Quaker Oats and as I believe the demand for food products should continue satisfactory, I plan holding the stock, providing you agree with me. Please submit recent data and also outlook for the company."

B. N., Daytona Beach, Florida

Net income of Quaker Oats for the year ended June 30th, 1954 was $8,902,470, which after preferred dividends amounted to $2.38 per share on the common stock, as compared with $8,380,297, or $2.23 per share for the previous year. Sales were $266,133,116 and $265,264,488 for the two periods, respectively.

While dollars sales increased only slightly, there were unit increases of cereals, manufactured feeds, pet foods and flour.

Foreign companies of Quaker Oats in Great Britain, Denmark and Holland all had increased volume and earnings. The British Company, with substantial gains, had the best year in its history. While most of the non-consolidated subsidiaries are retained as working funds and for expansion, dividends received from them amounted to $279,480.

The Canadian Company showed a substantial improvement both in volume and earnings as compared to last year when both the Peterborough and Saskatoon plants were closed for three months by a strike. In many parts of the world, import and exchange controls still exist, but company's export sales continue to increase. Quaker Oats has introduced to several Latin American countries a new product called "FrescAvena" which when added to water, makes a complete oatmeal drink of the sort popular in these countries. While it is early to draw definite conclusions, sales to date look promising.

The Cali, Columbia plant is nearing completion and is expected to begin operations this fall.

Quaker Oats is one of the largest food manufacturers. It has a good earning record, strong finances and consecutive dividend payments since 1906. Growth potentials in the chemical and feed lines lend attraction to the stock and therefore, we recommend retention. The 35¢ quarterly dividend yields a satisfactory income return.

Dresser Industries, Inc.

"As a subscriber to your magazine, I understand I am allowed the privilege to inquire on a listed stock and my selection this month is Dresser Industries. Will you please report recent backlog of business on the company's books, recent earnings and prospects over coming months."

S. C., San Diego, Calif.

Dresser's net earnings, after taxes for the quarter ended July 31st, 1954, were $2,222,210 on sales of $31,514,240. Net earnings for the first nine months of the current fiscal year were $5,689,903 on sales of $98,141,529. This compares with earnings of $3,246,201 on sales of $94,653,080 for the same period of 1953. On a per common share basis, net earnings for the third quarter were $1.68 of which 47¢ consisted of non-recurring income in the form of a refund of World War II excess profits taxes. For the first nine months to July 31st, 1954. earnings per share were $4.28 in comparison with $2.39 a year before.

During the third quarter, Dresser's quarterly dividend on the common stock was increased from 40¢ to 50¢ per share. In commenting on the increase, the president of the company stated that the substantial growth in recent years had broadened and strengthened the earnings base and that the higher dividend was in line with Dresser's policy of sharing its growth with the stockholders.

Despite large above-ground stocks of petroleum products and substantial cutbacks in crude oil production, the oil and gas industries have thus far continued an aggressive program developing new oil reserves, increasing and improving refinery and distribution facilities. On the other hand, although several large-scale projects are scheduled for 1955, the gas transmission industry is not currently engaged in any major expansion or construction program.

Dresser's backlog of unfilled orders as of July 31st, 1954, was $30,715,000 as compared with $34,989,000 at the end of the previous quarter and $50,103,000 as of July 31st, 1953.

Prospects over coming months appear satisfactory.

Central Hudson Gas & Electric Corporation

"Central Hudson Gas & Electric Corporation has been mentioned as a low price utility operating company with stable earnings. Will you please present recent earnings data and dividend payments."

W. J., Clearwater Beach, Florida

Central Hudson Gas & Electric Corporation shows continued improvement in its net income. For the twelve months ended June 30th, 1954, net income rose to $2,817,175, or 97.2¢ a share on the 2,259,642 common shares outstanding, compared with $2,511,-

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Transformation of American Industry—Companies—Investments

(*Continued from page* 69)

issues absorbed into their portpolios. This has had a tendency, over a period of time, of reducing the supply of such higher-grade issues, making for some degree of "scarcity" value. This has naturally raised the price level of these stocks, over a period, as demand keeps ahead of supply. With combined buying of the various categories of institutional investors running at the rate of several billion dollars a year their influence on the market, at all times, is substantial.

Some critics have stated that in the event the public desired to liquidate at a time of stress, the concentrated holdings of common stocks among institutional investors might pose a threat to the market. Thus far, as in the declines of 1946, 1948-49 and in 1953, there was no evidence that these institutions felt compelled to liquidate on any important scale, though, as to be expected, they made the necessary adjustments. All in all, it is possible to say that thus far the operations of investment trusts, mutual funds, pension funds and the like have tended not only to stabilize the market but to add values to the securities held by the general public as, undoubtedly, without these operations, the general price level of stocks would have been lower than today.

Growth of Corporations

The generally profound changes which have occurred in the investment markets cannot be fully understood without an appreciation of the immensity of the economic growth of the United States during this period. As a result of this growth, real values have been placed behind corporations to an astonishing extent. For that reason, the position of these concerns is hardly comparable to that of 25 years ago, and in many ways it is difficult to recognize the same companies. Numerous corporations have entered the billion-dollar class, both with respect to their asset values and their sales, where 25 years ago both assets and sales were hardly a third or a fourth of the present.

The proliferation of these companies into widely extended fields in dozens of new products is a common phenomenon. The result has been to enormously widen their base of earnings and to place them in a virtually impregnable position. The same is true of the growth of their financial position. Corporations in recent years have retained a larger percentage of their earnings, approximately 50% against 25% a generation ago, and have used the vast accumulation of funds for expansion. Thus, the potentials of earnings power are heightened, laying a solid base for future expectations, both with respect to dividends and investment values.

Management's Role

One cannot depart from this phase of the great transformation in the position of American corporations without referring to the fact that management has a new sense of responsibility, not only to the stockholders but to the public, as well. No longer are corporations run by small groups of men, entrenched in positions of power, and actuated by a desire for personal advancement. Today, highly skilled and experienced, the corporate management operates, virtually in public, and must solicit the approval of stockholder, the general public, not to mention the government itself. All this gives the investor far greater assurance that his property will be protected, efficiently and honestly. Nor need he any longer fear that the managers of his company will manipulate the stock, according to their desire and for their personal profit. This means that all the energies and talents of management are devoted to the company, an asset of very great value to the stockholder, though it cannot be translated into actual dollars and cents.

Results of this change in managerial attitudes are to be seen in their new radical techniques, calculated to bring out the most of every available opportunity, either through the creation of new products and markets, through new technology, or through the upbuilding of resources by acquisition of competing or even non-competing companies. The entire purpose of all this is to widen the scope of the company's activities as much as possible.

The distance we have traversed in the past 25 years is best illustrated by comparing national income figures. In 1929, it was $83 billion, sinking to an abysmally low $39 billion at the bottom of the depression in 1932. By successive stages, we have since climbed to the dizzy heights of $305 billion (last year's figures). If we allow for the change in the value of the dollar, national income would still have increased, in the 25 years, by almost 300%. In the last 15 years alone, personal income has increased from $73 billion to $286 billion. After taxes, total personal income has increased from $70 billion to $250 billion. Savings of the public have been increasing in recent years at a $20 billion a-year rate. There is no intention here to bore the reader with a lot of statistics but, no matter from what angle one looks at our national scene, it is clear that we have come a very long way from economic instability to very real maturity; thus offering a much more solid base to the investment markets than at any time in our history. Built-in stabilizers to the economy like social security, pension plans and savings have made the foundation even stronger.

The Government's Role

The government's operations have assumed much greater importance with regard to the economy and the investment markets. By control of credit, it exercises a stabilizing influence of tremendous effect. And, of course, it is one of the chief factors in business through its enormous expenditures for defense and its normal operations.

Together with the states and localities, the government accounts for almost 30% of the total economy of this nation, and this is not likely to change very much for years to come. Under these conditions, it is possible for the government to limit the scope of reactions in business. We have witnessed an instance of this in the past few months, when the long-heralded recession proved to be merely an interlude in a period of general prosperity, due largely to sound government policies.

Under these conditions, it is clear that the investment markets receive a type of support lacking in the 20's. This adds to the long-term confidence of investors and

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Keeping Abreast of Industrial and Company News

In the past five years **Pressed Steel Car Co., Inc.,** has become widely and carefully diversified, is again extending its operations by acquiring the Clearing Machine Co., one of the leading manufacturers of mechanical and hydraulic presses for the metal fabricating industry. Under the terms of acquisition, Pressed Steel Car will take over Clearing's total assets, including its manufacturing plants in Chicago, Ill., and Hamilton, Ohio, the output of which is sold to the automotive, aircraft, agricultural machinery, appliance, plastic, and many other industries.

The first filter cigarette to carry the established brand of one of the "big six" of the tobacco industry was recently introduced on the market when **P. Lorillard Co.,** brought out its new Old Gold filter-tip, king-size cigarette. This new product rounds out the Old Gold brand now being manufactured in regular, king-size, and filter-king. Packaging for the new product is distinguished by being banded by three gold stripes. They are priced on a competitive basis with other filter brands.

A new and unique employee benefit plan to provide retirement pensions, widows' pensions, death and disability benefits for employees of the country's financial institutions has been worked out by **The Philadelphia National Bank** in conjection with the Mutual Life Insurance Co. of N. Y. A feature of the The Philabank Plan, as it is called, is the departure from the standard type employee-benefit plans in that it combines the advantages of both trusteed and insured plans. It has the advantage, according to the announcement, of low-cost, individual tailoring to the needs of large and small financial institutions and is applicable to both officers and employees.

Minneapolis-Honeywell Regulator Company has recently exhibited a robot testing system which takes only minutes to analyze the characteristics of new processing equipment and predict a unit's performance in actual operation. The automatic testing system, known as a servo-analyzer, was developed by servo engineers in Honeywell's Industrial Division to speed their own analysis of processing equipment elements. It introduces a series of changes in the process being checked, and records the effects of these changes both on the process itself and on the control mechanisms. In as little as eight minutes it can tell what the processing equipment will do or fail to do under given unusual conditions.

An 11,000-acre site for a rubber plantation has been purchased by the **Goodyear Tire and Rubber Company** in Brazil near the Amazon River gateway to world trade. The new plantation will be developed gradually and the first plantings will be experimental. The work will be carried on in full cooperation with the Brazilian government, which is attempting to establish its own rubber growing industry. The new plantation will eventually become a supplier for the company's Sao Paulo tire plant in Brazil and may stimulate additional plantings which would help provide a "living stockpile" of rubber readily accessible to the United States in times of emergency.

Rapidly nearing completion are the towering structures of the four process combination unit that is the heart of the new Mandan refinery of the **Standard Oil Company of Indiana.** This unit is one of the most unusual in the oil industry. It is designed for refining "on the fly"—processing crude oil into finished products in one continuous operation, without intermediate storage. Facilities for the four processes—distillation, catalytic cracking, vapor recovery, and polymerization, stand on a three-acre rectangle. The structures, now 99 per cent complete, range as tall as 170 feet.

Westinghouse Electric Corporation will spend more than three million dollars for facilities to produce window-type room air conditioners at its Appliance Division at Springfield, Mass. No additional building construction is planned at this time, but these funds will be used to rearrange and purchase necessary facilities to manufacture the room air-conditioners. Under pressure of wartime production, Westinghouse discontinued manufacture of these products in 1942. The company re-entered the field this year in order to round out its line of major appliances.

Johns-Manville Corporation has just opened the largest asbestos mill in the world, located at Asbestos, Quebec. It will mill more than one-third of the free world's supply of asbestos fibre most of which finds its way to the United States to be manufactured into scores of essential products. The new mill occupies a 14 story, steel and concrete building that has 22½ acres of floor space. When in full production early in 1956 it will provide addtional capacity to reach a total annual production of 625,000 tons of asbestos fibre.

Popularity of poured-in-place gypsum roof decks, which has been on the increase for the past 20 years, has been given additional impetus by the newest product of Owens-Corning Fiberglas Corporation, Acoustical Form Board. The Form Board, with a pleasing glass mat face, performs four functions in the roof and ceiling structure. It serves as a permanent roof deck form, as an attractive, incombustible interior ceiling, as an acoustical ceiling and provides roof insulation. It is a highly efficient thermal and acoustical insulation.

The Birds Eye Division of **General Foods Corp.**, and the **Philco Corp.** have teamed up to promote, on a national scale, an "Easy Living" contest, designed to stimulate sales of Philco's home freezers and to encourage multiple pricing of Birds Eye frozen foods by food retailers. The contest, beginning this month and running through to December, will be based on a full-color picture in magazines and newspapers, showing a home kitchen, complete with Philco freezer stocked with Birds Eye products. Contestants will have an opportunity to win prizes by writing, in 25 words or less, "What's Right With This Picture?" There will be 25 prizes consisting of Philco upright freezers with a capacity of 490 pounds of frozen foods, and 100 second prizes, these being Philco freezer chests of 295-pound capacity. Entry blanks, obtainable at Philco dealer stores or from Birds Eye retailers, when mailed in by a contestant must be accompanied by a Birds Eye label.

Establishment of a new radioisotopes laboratory for basic research in soaps, detergents, and toilet articles by **Colgate-Palmolive Co.**, is the latest step in the company's research expansion program. The new installation, located in New Brunswick, N. J., uses isotopes as tracers in laboratory tests of how various ingredients work providing information for use in developing formulas and more efficient manufacturing processes. The company states that research with radioisotopes has given direct evidence that the anti-enzyme Gardol—the trade name of sodium N-lauroyl sarcosinate—remains in the mouth to fight tooth decay for many hours after use. In carrying out the experiments, Gardol was first synthesized from radio-active carbon. The teeth of test animals were then brushed with toothpaste containing radioactive Gardol. Although the animals' mouths were thoroughly rinsed immediately, examination of their teeth for radiation showed that Gardol was still present 48 hours after brushing.

One of the most efficient steam boilers ever built is now being erected for the $18 million first unit of the **San Diego Gas & Electric Co.'s** new Encina station. The boiler, manufactured by **The Babcock & Wilcox Co.**, is capable of converting as much as 10 railroad tank cars of water—about 80,000 gallons—into steam each hour, and will deliver this steam at a pressure of 1,450 pounds per square inch and at a temperature of 1,000 F degrees. When in place, the boiler will be 12 stories high. A second Babcock & Wilcox boiler at the Encina station is scheduled for installation in October, 1956. Other units will be added to this new station as needed, possibly at intervals of two to three years.

There's a new name in the textile field. This is Amerotron, Inc., the jointly owned sales and management company formed by **American Woolen Co., Textron, Inc.,** and **Robbins Mills, Inc.** The new company will perform exclusive sales, purchasing and certain management functions for the textile operations of the three companies, including coordination of manufacturing and merchandising. It is expected that Amerotron will enable the participating companies to effect substantial operating economies and at the same time to improve their service to customers, and revitalize styling, sales promotion, advertising, and other functions. It is believed that each of the present organizations will complement the others and provide full diversification in the woven fabric field.

In this day of atomics and electronics, it might be heartening to the average human to know that he is still of some value. Electronic engineers of the **Minneapolis-Honeywell Regulator Co.**, have figured out that the average human being is capable of as many controlled reactions as a servo-mechanism that would cost $1.5 billion. If that knowledge isn't enough to enable him to realize his value, he should also know that he is self-contained, whereas the servo-mechanism duplicate would require 10 million kilowatts of power.

To help put a stop to the moisture vapor that seeps into buildings, causing deterioration, **Visking Corp.** has produced "Visqueen," a tough pliable plastic claimed to last as long as the structure itself. The polyethylene film material is placed under basement floors, tacked up along side-walls, or laid over the subflooring while the building is being constructed. It stands as a barrier, allowing only the minutest amounts of moisture to penetrate its surface, and can be bought for about 1½ cents a square foot. Other covering materials are available, but the new "Visqueen" won't break down after a time but should keep its vapor resistance qualities during the life of the building. The plastic's ability to ward off moisture far outstrips the government's requirements for such materials in construction.

Monsanto Chemical Company has developed its version of an atomic battery—a 1½ inch long unit that uses heat from radio-activity to produce electrical energy. Monsanto says the tiny battery can provide as much energy as ordinary dry cells, but added that "at this time, the large scale manufacture of atomic batteries is not economical." The necessary radioisotopes can be had only in small quantities and their cost is high. The unit is called a "heat battery" and is described as being "somewhere between" a nuclear battery, which uses radioactivity, and a solar battery, which uses heat from the sun. The new battery uses the element polonium sealed in a small capsule.

International Nickel Company of Canada, Ltd., started producing electrolytically refined cobalt at its Port Colborne, Ontario, refinery. This marks the first commercial production of electrolytic cobalt in Canada, and is the result of improvements in refining techniques. The process was developed after extensive research and pilot plant studies. Up to now, Inco's entire cobalt output had been marketed as oxides and salts produced at its Clydach, Wales, refinery. The electrolytic cobalt is expected to be particularly valuable for making high-purity alloys.

United Air Lines is using radio-equipped tractors to tow planes between its hangars and the passenger terminal at San Francisco International Airport. The company estimates this experiment will pare its gasoline bill here by $42,500 a year. When the tractor driver sets out from the hangar, he gets permission from the control tower by radio to make the 1¼ mile trip to the terminal. Again, before crossing runways separating him from his goal, the driver radios the tower for clearance to cross them. Once at the loading apron, he disconnects tractor and plane. Previously, planes taxied to and from the terminal. The new ferry system shuttles at least eight DC-6s a day back and forth between hangar and terminal, saving 75 gallons of aviation gas each round trip. The tractor consumes less than a gallon of standard auto fuel for each round trip.

Transformation of American Industry—Companies—Investments

(*Continued from page* 99)

offers the basis for the belief that the enormous convulsions of the stock market which were often in evidence in former times probably cannot occur again, though, naturally, general reactions must be expected from time to time.

If the author has gone to some pains to describe the reasons for the transformation in the security markets over the past quarter century, he would nevertheless hasten to disavow any intention to infer that the investor has reached the millenium. Obviously, nothing can protect the investor against his own bad judgment and, in a sense, his problem is magnified because he now is compelled to severely adjust his investment thinking to the new conditions. The penalties for adhering to outworn concepts are quite real. Nevertheless, the opportunities for skillful investment are far greater today than a quarter of a century ago. The investor has the further assurance that he will not be deprived of the fruits of his judgment by the manipulation of interests in a special position of power, as was the case in the 20's.

Altogether, the investor, who exercises judgment and restraint, should be able to look forward more confidently to the steady upbuilding of his capital to provide for later years. Sound techniques of investment are far better understood today by the public and this knowledge, against a background of steady economic advance in this country, should offer the investor greater assurance of success than he has ever enjoyed before.

A Study of Changing Profit Margins in 20 Industries

(*Continued from page* 71)

the steel industry, and overcapacity is not a serious problem, a fact which should be beneficial to profits once there is a recovery in general business.

The other industries – *instruments and related products*—now show mildly depressed margins. These industries are benefitting from long-term booms in electronics and in building, respectively, and margins should continue very favorable in the next several years.

Among "soft-goods" industries, 1954 profit margins are highest in *petroleum refining, chemicals and allied products, rubber products,* and *paper and allied products.* All of these industries in early 1954 were enjoying a profit rate of 10% or better, with petroleum, the highest, at 13%. As in most "soft-goods" industries, margins in these industries are much more stable than in the high-return durables industries such as autos and aircraft, and while they do not reach such peaks as the 26% return on investment enjoyed by the auto industry in 1950, they are much less likely to decline materially in the short term. This is particularly true of petroleum refining and chemicals, both of which appear to be assured of a strong and diversified market for years to come. It is somewhat less true of rubber products, where dependence on the automobile industry for a substantial part of the industry's total volume has already begun to affect profit margins in the industry.

For three other soft-goods industries—*textile mill products, apparel, and leather*—the trend of profit margins has been sporadically downward throughout the period under review, and 1954 performance is apparently the worst of the postwar years. Textile mills, in particular, suffered the lowest first-quarter profit margin on record; in the other two industries, margins in the first quarter of 1954 were lower than in any other postwar year except 1952. Sales volume in 1954 has been quite depressed in all three of these industries, however, and a modest recovery in margin, as sales improve, should be expected.

In two remaining nondurables groups – *food products,* and *tobacco products* – profit margins are traditionally stable. In both of these industries, profit is now running about 8% of investment, and little fluctuation should be expected. This figure puts these industries in about the middle range of profitability, from which they rarely deviate.

Throughout this record of trends in manufacturing margins during the postwar years there run a number of threads. First, in those durables industries where supply was curtailed during World War II margins reached phenomenal levels in the early postwar years as capacity was inadequate to meet the swollen backlog of demands. As these industries expanded their investment in later postwar years, capacity gradually equalized demand, and then began to weigh downward on margins through competitive pressures. The automobile industry typifies this situation.

Secondly, there are the great growth industries, perhaps typified here by petroleum refining, and chemicals. In these industries, expansion of investment has been paralleled by continuing and rapid expansion of markets, and profit margins have remained high and stable.

Third, there is a group of industries which can be benefitted from a combination of defense and electronic development—represented here by aircraft, instruments, electrical machinery. In these industries, margins have been stable or better, and the end of the excess profits tax has provided insurance for near-term profit levels. Investment rates in these industries are still in a relatively rapid growth pattern, and should not precipitate a decline in margins for some time to come.

And among industries serving most directly the consumer, there is still another margin trend: increasingly bitter competition, as a swollen investment in productive facilities intensifies competition, and depresses the profit margin to far below the halcyon days of the early postwar period. END

IN THE NEXT ISSUE

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What Third Quarter Earnings Reports Reveal

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—an important analysis of major trends affecting corporate profits, looking ahead to fourth quarter 1954 and early 1955.

New Factors Affecting Copper-Aluminum Companies

(*Continued from page* 89)

deposits in Quebec, and large investments in two South African gold-uranium properties. Also holds sizeable blocks of Kaiser Aluminum preferred and common stock, giving it important position in aluminum.

Magma Copper – Now eighth largest U. S. copper producer, will move up to fourth place within a few years when its huge new San Manuel mine in Arizona will have been developed by 1957 with an annual capacity of 70,000 tons of copper. Currently operates a high-grade property in Arizona with considerable life ahead. The terms of the $94 million RFC loan on the San Manuel mine prohibits cash dividend payments, so that payments would be limited to stock. This new mine imparts longer-range strength to the company's sales and earnings.

Miami Copper – Another high-cost producer. Earnings this year stand to fall off a sharp 40 per cent because of strikes, ended operations at one mine and the lag in starting work at a new one. By the first of 1955 copper from the new mine should move to market in quantity, so that better sales and earnings are to be looked for next year. Two Government contracts, one covering deliveries from July, 1955 to 1962 at the old Miami mine, and the other underwriting the new Copper Cities pit, put a floor under longer-term sales.

Phelps Dodge – Second largest domestic copper producer, also operates fabricating units. The recently started Lavender Pit mine will add 38,000 tons yearly to the company's 300,000 ton capacity. Output from this new mine will swell 1955 shipments. Company operates at fairly low cost. Strikes stand to reduce net income this year by about 8 per cent. 1955 should see marked betterment in sales and earnings.

The Aluminum Companies

ALUMINIUM, LTD., since 1951, has been carrying out an exceptionally broad over-all expansion program at an estimated cost of $465 million, of which $435 million has been accounted for by the end of 1953, with the balance of $30 million scheduled for expenditure during 1954. Included in this program is the recently opened smelter and related facilities, including a hydro-electric plant with an initial generating capacity of 450,000 h.p., to supply the smelter which initially will have an annual capacity of 91,500 tons per annum. Consolidated sales and operating revenues have increased in each of the last five years, reaching an all-time high at $336 million in 1953, compared to $333 million in 1952 and $284 million in 1951. Net income last year totaled $19.4 million equal to $2.16 a share for the common stock, but this was after accelerated depreciation and depletion charges of $50.7 million that had the effect of reducing net income by approximately $16 million. Despite the continuance of these high charges, net income for the first half of 1954, on a consolidated basis, increased to $9.8 million, equal to $1.09 a share from $9 million, or $1.05 a share for the like period of 1953. While current restricted earnings provide thin coverage for the $2 annual dividend this rate should be maintained. The shares at current price of 69 are selling to yield 2.8%, indicating the valuation put upon the stock as a long-term commitment.

ALUMINUM COMPANY OF AMERICA, which has the lowest costs of any of the domestic aluminum producers and is the most diversified fabricator, has also been expanding smelting capacity and fabricating facilities during the last three years. From 1951 to the end of 1953, Alcoa expended a total of $319 million on the various projects. The current program calls for another $65 million for new and improved facilities in 1954. This will bring total expenditures for expansion and improvement by the end of the year to about $384 million. Reflecting in part benefits accruing from the expansion program completed in 1953 and immediately prior years, and increased sales at a record high of $711 million, compared with $584 million in 1952, net income last year rose to an all-time peak at $48.8 million. This was equal to $4.71 a share for the common stock, after giving effect to the 2-for-1 split in April, 1953, and compares, on the same basis, with $4.19 a share earned in 1952. These results were achieved notwithstanding accelerated write-offs in both years. For 1953, amortization, depletion and depreciation charges totaled a little more than $58 million, including $33.1 million amortization under certificates of necessity. Reduced demand for fabrications through the first half of 1954 is reflected in Alcoa's sales for the period falling off by approximately $20 million. Consequently, net per share as reported declined to $1.80, as compared with $2.64 a year ago, both figures being distorted by the high amortization charges. Until these charges are out of the way, it is likely that the company will continue to hold dividend payments at the current $1.60 a share annual rate. Alcoa common appears to have a considerable growth potential. It is presently priced in the market at 82½ to yield 1.9%.

KAISER ALUMINUM & CHEMICAL CORP., which is both a producer of primary aluminum and a fabricator has moved up rapidly in the industry with sales increasing from $73.6 million in 1949, to a record high of $226.6 million for the fiscal year ended May 31, 1954. It recently completed a three-year, $230 million construction program through which it about doubled its primary aluminum capacity to 800 million pounds. This is approximately 27% of total U. S. output. Despite expenses incidental to starting-up of several new plants, the company was able to show net earnings for the year ended last May of $14 million, equal to $3.36 a share for the common stock, as compared with $3.01 for the previous year. Kaiser's accounting policy is such that amortization in excess of normal depreciation is no longer charged against earnings, the company setting up a reserve for future taxes instead. While earnings provide good coverage for the $1.30 annual dividend rate which, of course, should be maintained, the large debt and the need for capital for further expansion is likely to create a barrier against any immediate dividend increase.

REYNOLDS METALS CO., since it entered the aluminum in-

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Economic Recovery in Holland

(*Continued from page* 77)

Reading, General Tire & Rubber, Curtiss-Wright, and Fairchild Engine and Airplane. Among the American companies acting in partnership with Dutch companies (the name of the Dutch company in brackets) are Westinghouse (Heemaf), Goodrich (Vredenstein), American Chicle (Van Nelle), the Crane Company (N. A. Fittingfabriek), and Republic Drill (Borenfabriek Bofa).

Problems Ahead

Although Holland is at present booming and employment is high, there are, as was mentioned earlier, some serious long-range problems. One of them is population. Holland is about the size of Massachusetts, Rhode Island and Connecticut combined, but has a population almost twice as large as these three states. With some 850 people per square mile, it is probably the most thickly settled area in the world. Moreover, the country's population is increasing at present at the rate of about 150,000 a year, of which some 40,000 to 50,000 usually emigrate. Nevertheless, jobs must be found for some 50,000 to 60,000 people annually. Since arable land is already overcrowded, most of the new jobs must be provided by industries, which means (one) that the annual investment in new industrial capacity must be relatively high—probably around $400 million a year—and (two) that exports markets must be found for the products of Dutch industries. Any increase in the Dutch standard of living will, of course, require further investment and create an additional marketing problem.

All this means that the Dutch will continually have to expand their capacity to export industrial products in order to support a fast-growing population—even without increasing materially the standard of living. Furthermore they must do so without incurring balance of payments difficulties, a hard task since practically all raw materials must be imported. Hence The Netherlands will continue to be highly vulnerable to the ups and downs in international trade. This explains the interest of the Dutch in freeing international trade and their moves toward trade liberalization.

The problem in pushing industrial exports in order to survive and earn a decent standard of living may be mitigated somewhat in the future by Holland becoming again a creditor nation. The vast Dutch investments in Indonesia may have to be written off. But there are indications that capital creation in the last year or two was large enough to permit some investment in Canada, the United States, Australia, South Africa, and other countries. —END

New Factors Affecting Copper-Aluminum Companies

(*Continued from page* 103)

dustry as a producer of primary aluminum and as a fabricator has moved rapidly ahead, attaining a position where it ranks as the second largest integrated unit in the U. S. It has about completed a broad expansion program and can fabricate its production without making any major additions to its mills. During the postwar years, or from 1946 to June 30, 1954, net earnings of the company, including $7.76 a share as part of undistributed profit from sale of a half interest in a non-consolidated company, totaled $70.68 a share for the common stock. Out of this sum, Reynolds has paid out in common dividends but $9.50 a share, leaving approximately $61.18 a share to be put back into its business. One of the major developments has been the construction of a $43 million alumina plant at La Quinta, Texas, which went into operation in June of last year. In addition to sums provided from profits, the company incurred a $174 million debt in connection with its expansion program. This sum added to prior years expenditures has brought net property account up from $44.9 million at the close of 1946 to $277.2 million at the end of 1953. Net earnings last year were equal to $10.15 a share and this figure will be closely paralleled for 1954, inasmuch as net for the first half-year amounted to $5.07 a share. Reynolds has held cash dividends to a modest rate for several years, although it has supplemented cash distributions with occasional stock dividends. So far in 1954, it has paid $1.25 a share in cash and a 5% dividend in stock. The stock currently selling at 84 3/8 has been showing exceptional market strength reflecting the possibility of a stock split. —END

A New Horizon for National Lead Company

(*Continued from page* 86)

to upgrade large southern iron ore deposits and iron-bearing materials. This joint project combines the broad experience of both companies in closely related fields. National Lead's extensive experience in the treatment of non-ferrous ores, supplemented by its broad research in Norway during the past eight years is matched by Republic Steel's experience with southern iron ore as well as in the beneficiation and use of the low iron content in southern non-magnetic materials.

One of the first steps has been the construction at Republic's Spaulding iron ore mine, near Birmingham, of a large scale pilot plant where production scale studies of the contemplated upgrading will be made, the objective being a sufficiently upgraded material that can be used in modern blast furnaces.

These low-grade ores and iron-bearing materials are not peculiar to the south only. However, according to the U. S. Bureau of Mines, reserves of ferruginous sandstone in the Birmingham basin alone exceed one billion tons, with iron content running from 23 to 27 per cent. The Bureau estimates the production life of commercial ore from operating mines in the basin at 41 years under today's economic conditions. It estimates, however, by the addition of commercial ore from all other sources, marginal ore and ferruginous sandstone reserves, the production life of iron minerals in the basin may be extended to 235 years.

From the laboratories of National Lead have come other processes and products. One of the more recent developments as a fruit of research have been new vinyl resin stabilizers demand for which is reflected in continuous growth in sales. Important uses for these stabilizers are in the production of floor coverings, unbreakable phonograph records,

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A New Horizon for National Lead Company

(*Continued from page* 104)

electrical insulation, raincoats, shower and window curtains, packaging materials, luggage, and a steadily increasing number of other products.

Another recent development as a result of research has been a series of compounds called "Bentones." These are a group of versatile products that are finding wide acceptance as ingredients of industrial greases, paints, printing inks, adhesives and plastics. Products developed in the company's research laboratories are being used in the improvement of both solid and liquid jet fuels. While these materials are at this time confined mainly to military applications, the company believes there is a good possibility that work in this field will prove valuable in filling civilian needs as well.

Still another development only last year was National Lead joining with The Goodyear Tire & Rubber Co., and Bird & Son, Inc., to form Rubarite, Inc., which produces barytes for addition to asphalt mixtures used in construction of highways, air strips and parking lots. A plant to produce this product was completed last year adjacent to the Malvern, Ark., barytes ore deposit and National Lead's Baroid Sales Division plant which for more than a quarter of a century has been producing "Baroid," the most extensively used mud weighting material in the oil industry.

Merger with Doehler-Jarvis

While research has resulted in development of an increasing number of basic products and derivatives, National Lead has also expanded by acquiring other companies with products complementing those which it was already producing. Because of its broad experience in non-ferrous metals extending over more than half a century, a natural acquisition was the Doehler-Jarvis Corp., which National Lead brought into its organization on March 1, 1953, as the Doehler-Jarvis Division to continue a business established in 1908, producing raw and finished die castings of aluminum, zinc, magnesium and brass alloy. Steady expansion has marked Doehler-Jarvis history, growing from a one-machine operation in 1908 to where at the time National Lead made its acquisition, it had assets of more than $44 million. In view of the future possibilities in expanding use of die castings, in research and development, the Doehler-Jarvis Division should continue to prove an increasingly important unit of National Lead's organization, contributing, along with the parent company's other divisions, to continued steady growth in net sales and earnings.

What National Lead has already accomplished in the way of growth, especially in the last 10 years, can be gauged by the expansion of gross property account from $98 million at the end of 1944, to $203.5 million at the close of 1953. In the same period, net sales, amounting to $166.1 million in the earlier year increased to a record high of $436 million last year. This was a gain over 1952 net sales of almost 22 per cent, and reflected, in part, sales of the Doehler-Jarvis division for 10 months of the year, and further growth and widening diversification of National Lead's major lines.

Net income for 1953, the highest in the company's history, reached $30.8 million. This was 34 per cent greater than the $23 million reported for the previous year and was equal to $2.58 a share for the 11,112,047 shares of outstanding common stock as compared with $2.06 a share on 10,158,375 shares in 1952. Contributing to this favorable showing was the company's ability to improve its profit margins. Expressed as a percentage of the sales dollar, earnings improved from 6.4 per cent in 1952 to 7.1 per cent in 1953.

On the basis of National Lead's showing for the first half of the current year, net sales of $209.2 million ran about 4 per cent under the $217.9 million for the corresponding 1953 period. Net profit, however, aided by the demise of the excess profits tax, was 27.2 per cent over last year's first six months, increasing from $13.8 million to $17.5 million. This was equal to $1.46 a share as compared with $1.13 a year ago on the present outstanding common stock. Obviously, it would not require much of an upturn in final half-year sales for National Lead to again show record dollar sales volume and a new high in common share earnings for 1954. The latter achievement is already indicated by the improved net profit for the first half-year, justifying estimating, on a conservative basis, net for the year equal to $3.00 a common share.

National Lead common since the 3-for-1 split in 1951, has received increased cash dividends in each subsequent year, and is now on a $2.00 annual dividend basis, the most recent increase being made with the declaration of a 50-cent quarterly dividend paid on September 30, last. At its current price of around 54⅝, the stock is selling to yield 3.6 per cent, a return which reflects investor evaluation of the growth potentials made manifest by the company's aggressive program in research and development and continued diversification of operations, including its current program for expanding its output of titanium dioxide, the production of metal titanium through its interest in Titanium Metals Corp. of America, and its work in the atomic energy field. The stock from a 1954 low of 38 moved up recently to a high of 55¾. A general market reaction would afford the investor interested in a long-range investment an opportunity to make an initial purchase of the stock and add to his holdings through subsequent purchases under the "dollar-averaging" method.

Answers to Inquiries

(*Continued from page* 98)

939, or 91¢ on 2,076,430 shares a year ago. The earnings are after interest and income reservation and before preferred dividend requirements of $621,389 for both years.

Operating revenues for the year ended June 30th, 1954 were $22,398,855, as against $20,841,926 for the previous twelve months period. Operating income after federal taxes was $3,839,398, as compared to $3,538,741 last year.

Earnings for the three months ended June 30th, 1954 rose to $776,140 as compared to $721,707 for the same period a year ago. Earnings per share of common stock, for the second quarter of 1954 came to 27.5¢ on the 2,259,642 outstanding shares, while last year the earnings were 27.3¢ on 2,076,430 shares for the same quarter. Earnings for both periods are after interest and in-

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Answers to Inquiries

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come reservation and before preferred dividend requirements of $155,347 during each quarter.

Revenue from surplus power transactions declined from $15,429 during the second quarter of 1953 to $6,417 for the same period this year, but income from regular customers rose from $5,180,874, to $5,508,101. Operating income after federal taxes rose from $965,954 for the second quarter of 1953 to $1,045,819 for the equivalent period this year.

Dividends last year totaled 70¢ per share and 17½¢ quarterly is the current rate.

This utility operating company serves a territory in the Hudson River Valley of New York, supplying electricity and natural gas in and about Poughkeepsie, Beacon, Newburgh, and Kingston, New York. Electric operations provided 84% of 1953 gross operating revenues, gas sales 16% and steam service in Newburgh terminated last year 0.1%. Earnings are relatively stable.

International Minerals & Chemical Corp.

"International Minerals & Chemical Corp. is regarded as a growth company in some quarters and therefore I would like to receive late information in regard to the company, also working capital position."

M. O., Woodland, Calif.

International Minerals & Chemical Corp. produces phosphate rock and potash, two of the principal ingredients of plant foods (fertilizer) and chemical products derived therefrom; and amino products, the most important of which is Ac'cent, a pure vegetable glutamate, etc. Net sales for the fiscal year ended June 30, 1954 were $93,591,934, five per cent above $88,837,456 in the previous year.

Net earnings after taxes for the fiscal year were $6,043,979, equivalent to $2.44 per share of common stock outstanding, compared with $7,030,176, or $2.87 per share, in the previous year.

Earnings in the fiscal year ended June 30, 1954 were reduced by approximately $2,500,000, or $1.10 per share, after taxes because of losses incurred in starting-up the corporation's Bonnie phosphate chemical plant at Bartow, Fla., and a smaller but important magnesium-oxide and hydrochloride acid plant at Carlsbad, New Mexico.

The difficulties at Bonnie plant were greater than anticipated due to mechanical problems, a strike that lasted 53 days and an adverse market temporarily for the plant's principal product. There is a growing use of quality phosphorous mineral supplement by feed manufacturers and the long-term market outlook appears favorable.

Capital expenditures of the corporation in the fiscal year just ended totaled $10,745,566, of which $4,107,078 was included in the Bonnie and the Carlsbad plants. The remaining $6,638,488 was used to construct plants, to acquire equipment and to improve and enlarge other existing facilities.

The corporation has constructed various facilities at an aggregate cost of $19,462,218 under Certificates of Necessity issued by the Federal Government. It has elected, for tax purposes, to amortize the certified portion of such facilities over a 60-month period, as permitted under provisions of the Internal Revenue Code but is charging -only normal depreciation in its accounts.

Working capital at June 30, 1954 amounted to $31,191,183, a decrease of $4,247,179 from the previous year. Cash balances and short-term U.S. Government securities at June 30, 1954 were $10,229,264 compared with $16,747,712 a year earlier. The decline largely reflected expenditures for fixed assets. Receivables were down 7% while inventories were up 8% from June 30, 1953.

Dividends on the common stock were continued at the annual rate of $1.60 per share. At June 30, 1954, there were 2,316,847 shares outstanding.

During the year ended June 30, 1954, there were 1,050 shares of common stock purchased by executives pursuant to stock options previously granted under the corporation's stock option plan. There remained at June 30, 1954, 117,315 shares reserved for issuance under options, of which options for the purchase of the 117,090 shares had been specifically granted but had not been exercised.

The corporation's Potash Division operated both its Carlsbad mine and potash refinery at full capacity throughout the year. The demand for agricultural grades of potash salts, comprising 90% of the plant's total production, continued at a high level. Industrial chemicals were produced at slightly below capacity, reflecting the general decline experienced by the chemical industry as a whole.

Prospects over coming months continue satisfactory.

Lehn & Fink

"As one of your subscribers, I request your comment and late information on Lehn & Fink. An airmail stamped envelope is enclosed for your reply."

C. E., Lansing, Mich.

Lehn & Fink was founded 80 years ago as a wholesale drug house in New York City. It is now one of the leading proprietary drug and cosmetic firms in the country, more than 500 items are manufactured and distributed throughout the world.

Net civilian sales for the year ending June 30, 1954 were $21,179,258, compared with $22,181,637 for the prior year, a decrease of $462,379—about 2.1%. These sales do not include sales to the U. S. Ordnance Department, which were $366,080 in 1954 and $685,170 in 1953. It is not expected that military requirements will play any significant part in the company's operations during the present year. Net earnings, after taxes, were $1,055,538, compared with $1,205,355 last year, or $2.71 a share for 1954 fiscal year compared with $3.03 a share in 1953.

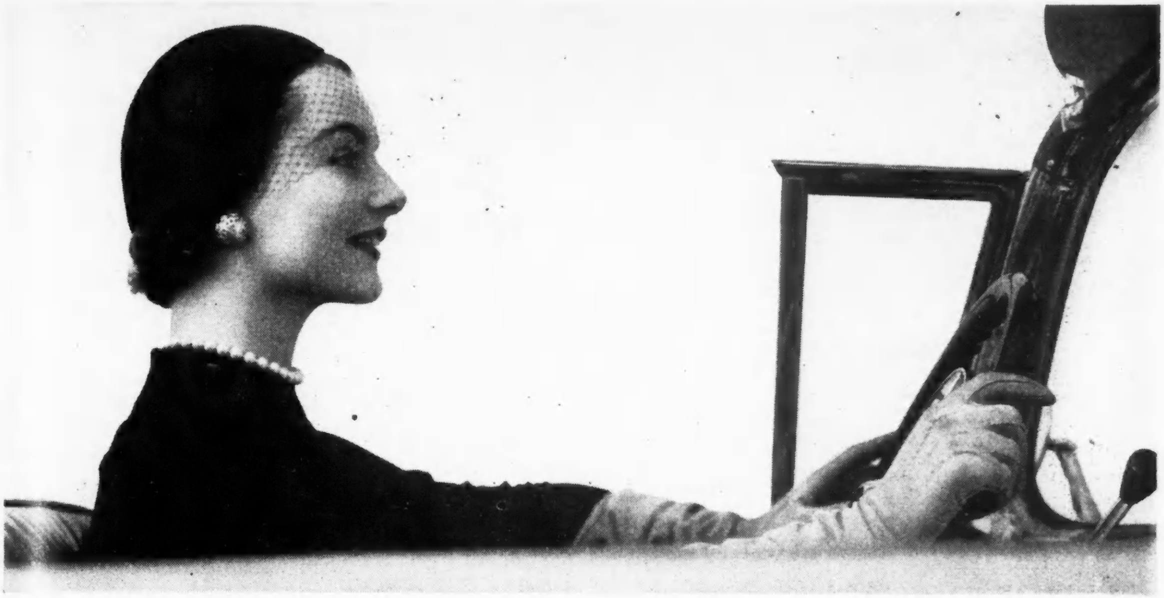
No earnings from the company's European or Canadian subsidiaries have been included, since none were remitted during the year. The net earnings of these companies were approximately $39,700. Earnings for the South American branch were $106,833, of which $23,019 represented remittances and adjustments, have been included in income. These earnings were offset by exchange losses of $51,424.

Current assets as of June, 1954 were $9,718,186 and current liabilities were $2,956,614, or a ratio of 3.3 to 1 compared with 2.8 the previous year.

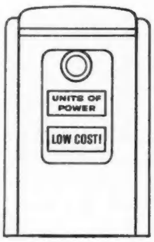
The company's 3⅛% promissory note has been again reduced during the past year by $220,000, leaving a balance outstanding of $1,205,000, of which $220,000 due June 1, 1955, is shown on the balance sheet among "Current Liabilities" and the balance is shown as "Long-Term Debt."

The company believes that sales

(*Please turn to page* 108)



What a Bargain!



More power per dollar than ever before! In this age of high horsepower and high prices, we actually pay a lot less for the power in gasoline than we did way back in 1926!

Next time you're driving along in your car think about this:

If you bought gasoline (as you do electricity) by *units of power*, instead of by the gallon, you'd realize that the price you pay for *that power* has been *going down and down*—until today it's lower than ever before!

There are several reasons for this:

First, the actual per-gallon price of gasoline (less tax) has advanced very little compared to other commodities.

Second, the quality of gasoline has advanced so much that every gallon delivers a lot more power. Research has proved that *two* gallons of modern gasoline, in a modern motor, equals the energy performance of *three* gallons of yesterdays (1926) gasoline. That was true even two or three years ago. Think what's happened to gasoline power since then!

Third, the higher octane ratings, and all the improvements in gasoline you've read about just this past year, mean still more power per gallon.

Next to electricity, there's no source of power so many of us depend on so regularly, day-in-and-day-out, as the power we buy in gasoline.

The cost of that power to you, ex-tax, has actually dropped more than 28 percent in the last 28 years!

Pure Oil is proud to join with the other companies of the Petroleum Industry in celebrating the achievements of the past and looking forward to continued progress in the future.

The Pure Oil Company
35 E. Wacker Drive, Chicago 1, Illinois

Oil Progress Week
Oct. 10-16

THE PURE OIL
PURE
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Oil
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Answers to Inquiries

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for the current fiscal year will show an increase.

Dividends in 1953 totaled $1.25 per share and $1.05, which includes an extra, has been paid thus far in the current year. Dividends have been paid consecutively since 1925.

American Sumatra Tobacco Corp.

"As a subscriber I would be interested in reciving late information on American Sumatra Tobacco Corp."

L. R., Havana, Cuba

For the fiscal year ended July 31, 1954 the net profit of American Sumatra Tobacco Corp. was $24,332 or 4c per share of common stock outstanding, as compared to the net profit of $301,134 in the preceding year, or 52c per share. No provision has been made for Federal income taxes for the year just ended as the loss carry-over fro mprior years eliminates any such tax liability. After offsetting the profit realized in the fiscal year just ended, there remains a balance of approximately $700,000 which under present Federal income tax laws can be carried forward against income for at least the next three years.

During the past fiscal year, the market for better grades of shade leaf wrapper tobacco continued good. However, the prices realized for the medium and low grades were only fair. The export market for which the medium and low grades are primarily sold continued only fair. The reason for the poor showing last year was due primarily to the fact that last year's tobacco crops turned out to be very disappointing and contained only a small percentage of the higher or better grades of tobacco.

The corporation's 1954 Connecticut tobacco crop has just been harvested and appears to be a fairly good one. The 1954 tobacco crop grown in Georgia and Florida was harvested about two months ago and is now being processed. The crop appears to be a good one. Drought conditions prevailed throughout a substantial part of the growing season but the yield per-acre exceeded by 10% to 20% the yield in the preceding year. The increased yield was due in part to the use of irrigation equipment. Until the tobacco is processed, and ready for the market, it is impossible to evaluate it accurately.

In the past fiscal year, the corporation expended approximately $200,000 for the acquisition of addtional irrigation equipment, and as a result approximately 60% of the acreage used for the growing of shade leaf wrapper tobacco in Georgia and Florida and about 75% of the acreage so used in Connecticut and Massachusetts has now been equipped for irrigation. It is felt that this investment is a form of insurance against drought. It is anticipated that the irrigation program will be expanded so that in a year or two the entire tobacco acreage will be completely irrigated.

The corporation owns 31,000 acres of land in Georgia and Florida upon a portion of which no tobacco or timber is being grown. Because part of the land is more suitable for pastures and production of cattle feed, it is thought desirable to put this land to use. Approximately 400 head of cattle were purchased during the past fiscal year and are being fattened for the market. About 2500 acres were planted to corn. No dividends have been paid on the stock since June 13, 1952.

For Profit & Income

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ably will about match 1953's $2.83 a share. The pay-out has always been high. The $2.40 dividend provides a yield of about 6%.

Textiles

Textile business is showing some betterment and a number of the stocks are currently "perking up", including Celanese, cited here two weeks ago. Now around 22½, it still looks like it will work out as a speculation.

Change

We have spoken favorably of Coca-Cola. It is a good stock, well down in its long-term range, and still subject to long-pull recovery. But market action says we have expected too much too soon. The active selling season for soft drinks is now over for this year. Earnings may be slightly under 1953's $6.60 a share, whereas a gain seemed likely earlier in the year. A boost in the indicated $5 dividend basis will evidently have to wait. The stock is not cheap on this basis. We suggest retention of long-pull investment holdings; but at current price of 115 we are not now inclined to recommend any new buying of the issue. The same observation would apply equally to other high-grade common stocks but which are selling, at the present time, at rather high prices, or at least too high for the average investor's purposes.

Rail Equipment

The rail equipment stock group has had a substantial rise since last September, about in line with the industrial list on a percentage basis. In relation to average prewar levels, it remains far behind the market. A basis for further recovery is not apparent; and the only possible argument for a medium-term performance not much worse than that of the general list is that so many of these stocks are already priced on a very high yield basis, discounting risk of some more dividend cuts. It might also be argued that orders, particularly for cars and locomotives, are at such a poor level that the next important change must be upward. But when it might come is anybody's guess. The best stocks in this field are General American Transportation and Union Tank Car, both deriving principal income from rental of owned tank cars. The former, although also a car maker, has important manufacturing interests apart from rail equipment. The same is so of Pullman, whose stock rates as worth holding. The most unpromising speculative issues include American Locomotive, Baldwin-Lima-Hamilton, National Malleable & Steel, Symington-Gould and Youngstown Steel Door.

Ten Times

As a rough rule of thumb, a market price around 10 times earnings appears reasonably conservative, in historical perspective, for stocks of medium, or better, quality. Here are some selected issues priced at not much above, and in many instances somewhat below, 10 times probable current-year earnings: General Motors, Thompson Products, Sutherland Paper, Standard Oil (New Jersey), Standard Oil of California, Anchor Hocking Glass, Best Foods, National Gypsum, Allied Stores, Inland Steel, U. S. Steel, Ohio Oil, Briggs & Stratton, Rayonier, Socony-Vacuum and Standard Brands.

THE GREATEST SPEAKER DEVELOPMENT IN 30 YEARS!

PHILCO scientists and engineers who developed the revolutionary new Speaker shown here, describe it as *an electrostatic speaker that delivers uniform radiation of high frequency sounds through an arc of 180°.*

But the average person understands better two amazing things that happen when he listens to it:

1. **Upper register sounds are heard with a clarity and brilliance unlike anything he has heard before, and**
2. **No matter where he sits, he hears the sound equally well.**

Behind these two simple facts lies one of the great stories of modern electronic research, and a new achievement by Philco engineers.

The basic problem stemmed from the tremendous advances of recent years in techniques for *recording* sound. The development of high fidelity tapes, microphones, amplifiers, and pick-ups have made it possible to put on records sound so close to the original it can scarcely be told apart.

Suddenly the weak link in the chain had become *reproducing* this sound for mass enjoyment in the home.

The difficulty lay in the limitations of the conventional *cone* type speaker, where the driving force is confined to a small circle in the diaphragm's center. This opens the door to severe distortion in the upper register. Also the cone tends to radiate sound in a narrow beam that deprives listeners at the sides of full enjoyment.

Philco engineers whipped the first problem by evolving a new type of speaker in which the driving force is applied *uniformly* over the whole diaphragm surface.

And they solved the radiation problem by developing a half-cylinder colonnade of 16 sections, with each delivering the sound through an arc of 11¼° to cover a total of 180°.

This new Philco Electrostatic Speaker makes it possible, for the first time, for everyone sitting anywhere in front of the speaker, to hear full High Fidelity sound.

And this new development is available on a mass production basis, at low cost!

Here, once again, Philco scientists, engineers, and production experts have teamed together to contribute the kind of significant development that has made *Philco* the name for leadership in Television . . . Radio . . . Electric Ranges . . . Air Conditioning . . . Refrigeration . . . and Freezers.

And the end is not in sight!

The Philco Corporation
Philadelphia 34
Pennsylvania

ANOTHER FIRST FROM PHILCO RESEARCH

What to Do About 1954's Dividend Casualties

(*Continued from page* 80)

increase of approximately $3.2 million in charges for capital extinguishments, including a charge against income at the rate of $400,000 a month since the first of this year for obsolescence of the Bayonne Refinery facilities in addition to depreciation. Net income for the 1954 first six months amounted to $18.1 million, equal to $1.35 a share, after giving effect to the 5 per cent stock dividend distributed on June 23. This compares with net income for the 1953 first half-year of $17.4 million, or $1.30 a share on the amount of stock now outstanding. The net income for both periods was of the parent company only, although it did include all dividends received from subsidiaries.

On the basis of this year's first half showing, earnings for all of 1954 should more than equal last year's net of $2.75 a share. It is evident that Tide Water Associated will continue its policy of paying dividends in stock in lieu of cash distributions in order to continue its long-range, coordinated program to increase reserves of crude and natural gas, modernize refineries, including a proposed $75 million refining plant at Bayonne, and further strengthen its marketing position. Although results of its exploratory program will not be realized until future years, it has already made significant additions to both crude and natural gas reserves through discoveries in the Saskatchewan and Mid-Continent areas. This integrated oil unit appears to have a growth potential. For those now holding the issue who require cash income from their investments, it is suggested that they await announcement by the company which is understood to be studying a plan by which such shareowners would be given the opportunity to exchange their present shares for a special stock paying a regular cash dividend.

UNITED ENGINEERING & FOUNDRY CO., finished its 1954 first half-year with net sales of $27.2 million down from last year's first six months' volume of $39.9 million, a drop of 32 per cent. Other income also was off from $375,335 a year ago to $209,051 for the six months to June 30, last. For the latter period net income after preferred dividends amounted to $1.4 million, equal to 59 cents a share for the common stock, as compared with $2 million, or 82 cents a share for the 1953 corresponding months. Backlog of unfilled orders, while down from the abnormal peaks of the last few years, are understood to be reasonably sustained by some major mill instalation contracts both for this country and abroad, while defense work also continues, although in reducing volume.

The outlook for the balance of the current year warrants the belief that completed orders should come close to matching the first half-year's volume. Prospects for new business are considered brighter than at any time since early 1953. Recent reduction in the quarterly dividend rate from 25 cents to 20 cents is, in a measure, a reflection of the present uncertainty regarding the immediate outlook. In any event, the common stock is worth retaining pending a more favorable trend of new bookings within the next few months.

CHRYSLER CORP., through the first half of 1954, had rather a bad time of it. Net sales for the period fell 42.1 percent, amounting to $1,085 million from a record $1,874 million for the first six months of 1953. Net income fell even farther, declining 64.2 per cent to $15.7 million, equal to $1.81 a share, from 1953's first half showing at $44.1 million, or $5.07 a share. It was no surprise, considering the current year's first six months' operating results, that Chrysler, upon declaring its third quarter dividend, cut the distribution to 75 cents, this being just half the amount paid in each quarter of the last two and one-half years. While dividends are paid out of retained earnings, and not out of current earnings, the dividend reduction was apparently decided upon not only because of the first half-year showing, but more particularly, because of the outlook for the third quarter when output would be curtailed by shutdowns for inventory taking and changeover to 1955 models.

In addition to these unfavorable developments, Chrysler's stock, marketwise, suffered a severe case of jitters because of the

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Has the Eisenhower Administration Failed or Succeeded?

(*Continued from page* 66)

other producers, should be insured against loss.

Because of so many unpredictable factors, it never can be estimated with any degree of certainty what the demands under price supports will be in any given period. For example, in 1950 agricultural price supports cost $1.6 billions. In 1952 deductions and repayments resulted in a figure of $128 million on the credit side. Actual payments in 1954 fiscal were $1.5 billions and the 1955 estimate is for $1.6 billion. Such wide variations make budgeting somewhat difficult.

Grants to States for public assistance constitute a field which perfectly represents the growth of the welfare state conception under the New Deal. As has been pointed out in these pages before, it is almost impossible for a government in a democracy which springs from political parties to abandon or even much reduce grants of a welfare nature once they have been initiated even even though the whole idea of such grants is new to the American conception of governmental responsibility as practiced throughout by far the most generations of the Government's existence. For quite a number of years these grants have flowed in a steady stream from the Federal Treasury. In 1950 they amounted to $1.1 billion, in 1952 they were $1.1 billion and in 1954, $1.4 billion. The estimate for fiscal 1955 is $1.3 billion but no exact figure can be stated in advance.

Federal highway grants are of long standing, much longer than the New Deal welfare subsidies to the States but they continue from year to year as a drain. In 1950 the figure was $416 million; in 1952 it was $417 million; in 1954, $531 million and the estimate for 1955 is $600 million. Then there are the grants to States for unemployment compensation and its administration. In 1950 these grants amounted to $208 million; in 1952 to $187 million; in 1954 to $203 million while the estimate for 1955 is $1.9 million.

They calmed the troubled waters with tobacco!

When the Indians of Virginia went fishing they took a small supply of tobacco with them, not for smoking but for safety. Then, if sudden storms threatened their frail canoes, they sprinkled the precious stuff over the side, offering it as a gift to placate the spirit of the sea.

They used tobacco for calming many a social storm, too, and for smoothing their cares and troubles in friendly smoking sessions.

It's been that way all through the history of tobacco. And in that history, P. Lorillard Company—America's oldest tobacco merchants—has played a major part.

Nearly 200 years of experience have taught us how to provide the best in smoking pleasure. And our line of cigars, cigarettes, pipe and chewing tobacco is one of the most complete in the industry.

While these products won't calm the waves, they will soothe the spirit. That's why Lorillard stockholders—backed by nearly 200 years of Lorillard experience—have full confidence in Lorillard's future.

P. Lorillard Company

AMERICA'S OLDEST TOBACCO MERCHANTS · ESTABLISHED 1760

Leading Products of

P. LORILLARD COMPANY

Cigarettes

OLD GOLD · *Regular & King Size*
KENT · *Regular & King Size*
EMBASSY · *King Size*
MURAD
HELMAR

Smoking Tobaccos

BRIGGS
UNION LEADER
FRIENDS
INDIA HOUSE

Cigars

MURIEL
HEADLINE
VAN BIBBER
BETWEEN THE ACTS

Chewing Tobaccos

BEECH-NUT
BAGPIPE
HAVANA BLOSSOM

Has the Eisenhower Administration Failed or Succeeded?

(*Continued from page* 110)

The general pattern of these grants calls for matching of State funds with Federal grants. There is always a tremendous temptation on the part of a State administration and the various pressure groups operating within each State, to make every effort to put up the money to win the free prize of having it matched by the Federal Government. A curious thought, in this connection, seems to be that these State residents seem to forget that, in the final analysis they, too, are contributing a share of the Federal contribution. To be sure there is wide variation in the incidence of Federal taxation in the States.

New authority for expenditures in the housing and home finance field, as the result of new legislation, is estimated for 1955 at $689 million more than last year's figure which was $606 million. True, some of this at least is expected over a long term of years to be paid back but, meantime, the funds flow out of the Treasury.

Due, apparently, to a general revulsion of feeling about the extent to which the American Government should be the world's keeper, foreign programs have been reduced materially. For the mutual foreign program the January figure has been cut from $4.2 billion to $3.3 billion while foreign economic and technical assistance has been scaled down from the January forecast of $1.1 billion to $892 million.

There is one tremendous fact which must not be overlooked. Among the pressure groups, the Government bureaucracy itself is perhaps the most active and persistent and, often, rapacious. Periodically, there is a wave of newspaper criticism of the use of the franking privilege by Members of Congress. The cost of this is a scarcely perceptible decimal in comparison with the cost of franking by Government agencies of propaganda designed to advance their requests for appropriations. The President may send urgent appeals to each Department head to pare its Budget requests, but down in the vitals of the entrenched bureaucracy a gallant stand is constantly being made to defend its purse to the last gasp. Clever publicity work is done. A very recent example was the statement which the Weather Bureau succeeded conspicuously in having printed to the effect that losses from this season's hurricanes might have been less if the Bureau had more money to spend!

The Treasury's gradual transition from a concentration of term obligations to issues of longer date is proceeding but of necessity proceeding slowly. But success is meeting the new program and there has been no disturbance of the scale economy of the community. If one compares the brief time the new Administration's fiscal policy has been operative with the decades in which a deficit and a huge increase was an annual matter of course, it will appear that wellnigh a miracle has been accomplished. An avalanche is a difficult force to stop! The avalanche of unbridled spending and increasing debt which for so long had been gaining weight and speed has been stopped. It is a little too early to expect it to be rolled up the hill! All in all, a fair minded observer would say that the Eisenhower Administration has made a good start on a difficult job but that much more time will be needed before its basic objective has been fulfilled. In order to ensure success, the American people themselves will have to contribute through patience and understanding. —END

Trends in the Federal Budget

The Federal budget plays an important role in the economic life of the Nation. In the fiscal year 1955, the Federal Government, through the 56 departments and agencies of the executive branch, will employ an average of more than 2,000,000 civilian and maintain a military force averaging 3,200,000 servicemen and women. Through contracts with private builders and manufacturers, it will order goods which will be produced by additional millions of private employees. It will spend an average of about 260 million dollars every working day, 5.5 billion dollars a month.

The size of the Federal budget has expanded considerably in recent decades. Budget expenditures in the fiscal year 1955 are estimated at a level 125 times greater than in 1900, and almost 20 times greater than in 1930. Leaving out the war years, Government spending rose from 521 million dollars in 1900 to about 3 billion dollars a year in the decade following World War I. With the adoption of anti-depression measures in the 1930's, Federal expenditures rose, and reached 9.1 billion dollars in 1940. Approximately one-half of this amount was spent for social security and agriculture programs—much of it for work relief. After a sharp increase in Government spending during World War II, a substantial decline took place, but Federal expenditures were still much higher than their prewar level. In the fiscal year 1950, for example, expenditures were 39.6 billion dollars, more than 4 times the amount of Government spending in 1940; expenditures for national defense, international affairs, veterans's services and benefits, and interest, however, were in total almost 10 times as great as in 1940. With the outbreak of aggression in Korea in June 1950, Federal expenditures rose again, as the United States expanded its military program. In the fiscal year 1955, budget expenditures are estimated at 65.6 billion dollars, about 68 percent of which will be for major programs directly related to our national security.

Federal budget receipts have also shown a large increase since the turn of the century. The changed nature of our tax system, higher tax rates, and a rising national income have played important roles in this increase.

In 1900, budget receipts amounted to 567 million dollars, consisting entirely of customs and excise taxes (mainly on liquor and tobacco). In 1920, budget receipts were 6.6 billion dollars, almost 12 times greater than in 1900. After the adoption of the 16th amendment to the Constitution, individual and corporation income taxes were introduced in 1913 and the rates were increased after United States entry into World War I. These taxes yielded 3.9 billion dollars, or almost 60 percent of revenue in 1920. During the decade of the 1920's, budget receipts were mostly between 3.6 and 4.0 billion dollars per year.

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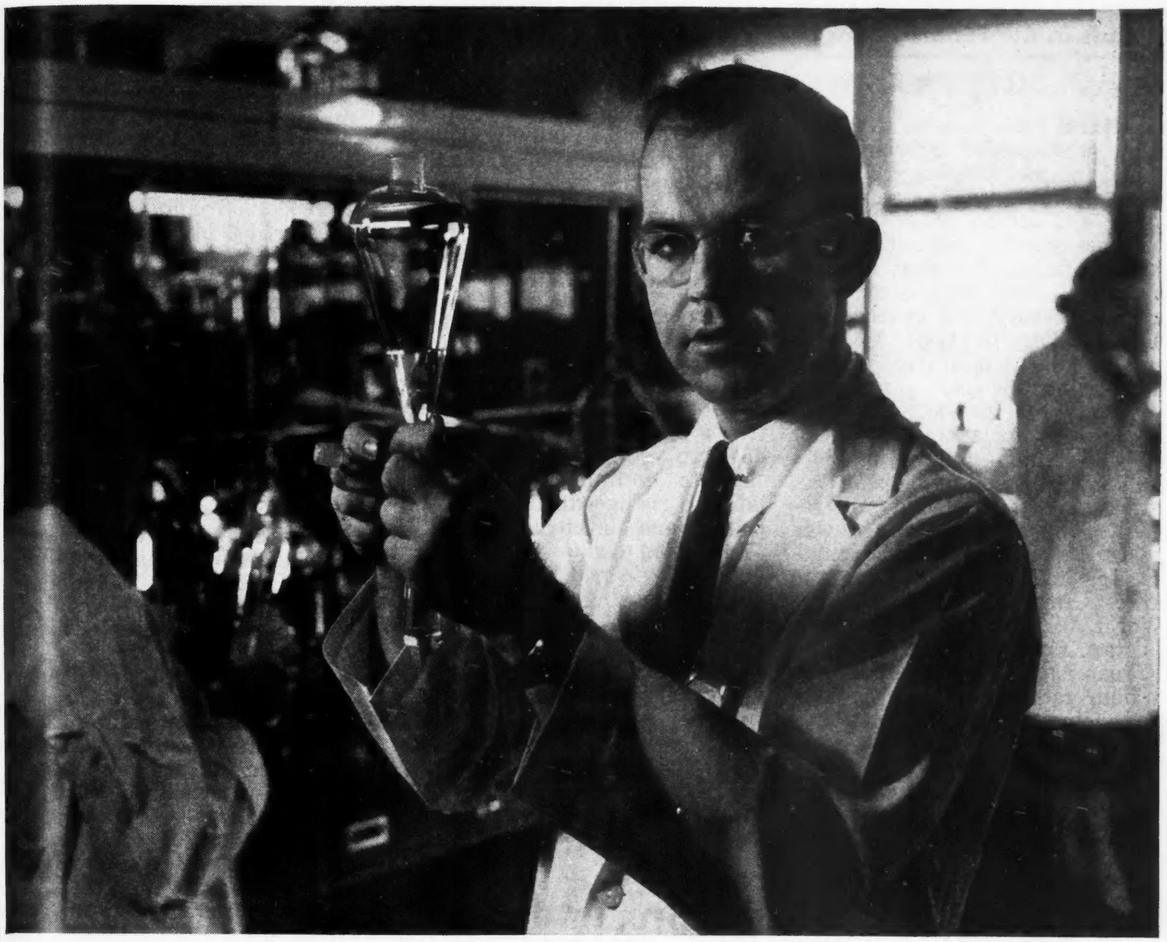

PHOTOGRAPH BY RICHARD BEATTIE

What we still don't know about cancer

—and one of the reasons why

IN THE PAST FEW YEARS, our knowledge of the nature of cancer, and how to treat it, has grown encouragingly. Patients, who would have been considered hopeless cases even five years ago, today are being completely cured. And even those who apply for treatment too late can usually live longer—and less painfully—because of modern palliative treatment.

All the same, there have been defeats as well as victories. We do not know—to take a single example—why so many more men are now dying from cancer of the lung. In 1933—just twenty years ago—lung cancer killed 2,252 men; in 1953, some 18,500. That's a great increase—which even our expanded population, and other known factors, can't possibly account for in full.

Well, why haven't we found more of the answers to cancer?

Not only because cancer is an immensely complex problem: difficult to diagnose, and difficult to treat; challenging to the best research minds.

All that is true enough. But there is another reason: *we do not* have enough money.

Last year your gifts to the American Cancer Society were more generous than ever before. But they were not enough.

You gave the Society almost twenty millions to fight a disease that—at present death rates—will kill twenty-three million living Americans.

Less than one dollar for each American destined to die from cancer. Much more is needed for research, for education, for clinics. Won't you please do *your* part . . . now?

American Cancer Society

Cancer
Man's cruelest enemy
strike back
Give

GENTLEMEN:
☐ Please send me free information on cancer.
☐ Enclosed is my contribution of $............ to the cancer crusade.

Name...
Address...
City.................................**State**...............

Simply address the envelope:
CANCER c/o Postmaster, Name of Your Town

Trends in the Federal Budget

(*Continued from page* 112)

as several reductions in tax rates were accompanied by rising national income. The early Thirties witnessed a decline in revenues to about a 2 billion dollar level as business activity and national income declined. However, receipts gradually rose with some economic recovery and reached 5.1 billion dollars by 1940. As a result of various increases in taxes and rising incomes during the World War II period, budget receipts rose to a wartime peak of 44.5 billion dollars in 1945. Following the end of the war, tax rates were reduced, but still remained higher than in prewar years. In 1950, receipts amounted to 36.5 billion dollars, the lowest amount of all the post World War II years. Increases in tax rates enacted after the Korean aggression, together with a high rate of business activity and rising national income, have caused a substantial increase in budget receipts since 1950.

Budget receipts in the fiscal year 1954 are estimated at 67.6 billion dollars, an all-time high. Estimated budget receipts for 1955 are 62.7 billion dollars, nearly 5.0 billion dollars less than in 1954.

Trend of Government Receipts and Expenditures

Between 1900 and 1953 the Government has operated at a deficit in 31 years, 20 of them since 1930. Following the Twenties, a decade of surpluses, 1931-46 were years of deficits, due at first to declining receipts and later to rising expenditures. The peak annual deficit, amounting to 57.4 billion dollars, was reached during the World War II year of 1943. Following World War II, and until the outbreak of hostilities in Korea, there were two surplus years and two deficit years. Since Korea, receipts have covered expenditures in only 1 year.

National Security Expenditures

Between the fiscal years 1954 and 1955, budget expenditures for major national security programs are estimated to be reduced by 3.9 billion dollars. The reduction between 1953 and 1955 is even greater, 5.4 billion dollars.

These savings in annual expenditures reflect a dynamic long-range defense plan recommended by the Joint Chiefs of Staff and approved by the National Security Council and the President. They also result from economies in administration and management, from the cessation of hostilities in Korea, and from decreases in procurement made possible by the improved supplies and materiel position.

In the new defense plan of the Joint Chiefs of Staff, emphasis is being placed on providing a strong military position which can be maintained over an extended period of uneasy peace. Thus, the budget provides for the creation, maintenance, and full exploitation of modern airpower. At the same time, it includes provision for an improved system of continental defense against possible enemy attack.

In describing the new plan, the President said, "With the shift in emphasis to the full exploitation of airpower and modern weapons, we are in a position to support strong national security programs over an indefinite period with less of a drain on our manpower, material, and financial resources."

Procurement of military equipment for our own forces accounts for the largest element of national security expenditures. Almost one-third of the 44.9 billion dollars of estimated expenditures for national security in the fiscal year 1955 will be for aircraft, ships, tanks, weapons, ammunition, and other major items for United States forces.

The pay and support of United States military personnel accounts for nearly one-fourth of national security expenditures. These expenditures will support an average of 3.2 million service men and women during the fiscal year 1955.

Operation and maintenance of military equipment and facilities will require nearly 20 per cent of the national security expenditures. These expenditures cover the cost of operating our Army

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National Securities Expenditures

(*Continued from page* 114)

and Marine divisions, naval combat ships and auxiliary craft, aircraft of all services, and the world-wide system of shore installations, including spare parts, utilities, civilian payrolls, fuel, and other supplies.

Military equipment and training for our allies of the free world will account for nearly 10 percent of the national security expenditures estimated for the fiscal year 1955. The military supplies being furnished under the mutual military program are an important help to our allies in their equipping and training an equivalent of 175 army divisions, about 220 air force squadrons, nearly 1,500 naval aircraft, over 440 naval vessels, and related combat and logistic units to back up these forces. These forces constitute a vital part of the military strength of the free world.

Expenditures for atomic energy in the fiscal year 1955 are estimated at 2.4 billion dollars, the highest in history. They will provide for the operation of atomic energy plants, including additional plants now being built, to produce fissionable materials and atomic weapons, for the procurement of large quantities of uranium ores and concentrates, and for the construction of more production capacity. Research and development, including the development of atomic power for peacetime uses, will be vigorously pursued.

Most of the expenditures for military public works in the fiscal year 1955 will be for airbases and related construction to support the increase in airpower recommended in the budget.

Expenditures for stockpiling strategic and critical materials are decreasing as the planned stockpile objectives for some materials near completion. By June 30, 1955, 5.5 billion dollars in materials will be in inventory out of a total objective of 7.2 billion dollars. At that time, about 50 of the 73 stockpile material objectives will be virtually completed.

Other major national security expenditures are for research and development and for strengthening and improving the reserve forces and National Guard.

—Bureau of the Budget

What to Do About 1954's Dividend Casualties

(*Continued from page* 114)

company's inability to hold its own in passenger car and truck shipments in competition with Ford and General Motors in the first half-year. This loss in business is generally attributed to Chrysler passenger car designs and its leniency with dealer organizations. These are shortcomings which the company has already taken steps to eliminate by putting dealers on notice to get out and sell cars, an effort in which they will be given considerable assistance through stepped-up national advertising campaigns, and by a line of 1955 Plymouth, Dodge, De Soto and Chrysler cars, with many engineering and design changes that are expected to bring improvement to the company.

The Trend of Events

(*Continued from page* 60)

competitors.

IMPORTANCE OF ECONOMIC DATA . . . Compiling statistics is one of the few acts of faith which survive into this age of skepticism. It testifies to a belief that the economic machine makes sense—that effects noted in the past were produced by specific, ascertainable causes. Acting on the data the statistics provide is a further act of faith—it assumes that the market-place, as a whole, will continue to make the same kind of sense in the future.

In the operation of continent-wide corporations such as serve the United States, there is no substitute for statistics. No one's judgment is significantly better than his information. Specific information about the thousands of wants and desires of more than 160 million people, spread over three million square miles of land area, cannot be conveyed otherwise than by reduction to manageable figures.

This management by statistics is in good part responsible for the high and rising standard of living of dwellers in these United States. The manufacturer finds what is selling best; where his markets lie; how the population is flowing from area to area and from occupation to occupation. With this knowledge, he accommodates his output, in styling, price and distribution, to what King Customer wants.

While statistics to aid in this constant endeavor to keep up with changing tastes and shifting markets are compiled by many able private agencies, they must all rest, ultimately, on statistics compiled by the government. Only the government has the manpower to stretch simultaneously over the whole country, so that the data acquired are comparable. Only the government, frankly, can compel answers to questions which are none of anyone's business: How much did your firm earn last year? Do you own a television set? Are you thinking of buying a new automobile?

This reliance upon statistics in general, and upon government statistics in particular, has given this country the best statistical setup in the world. The Statistical Abstract of the United States, published annually, carries some 2400 tables. Three hundred series are carried along monthly in the Commerce Department's Survey of Current Business; more than half that many in the Federal Reserve Bulletin.

Good as the figures are from a statistician's point of view, there is a constant demand for their improvement from the users' point of view. This is a perfectly understandable development. The better the figures, the more that executive sees he can make use of them—if only they were available in time for him to reap some benefit from the strategic picture they unfold before him.

One of the happiest recent pieces of evidence that the government personnel concerned with statistics is getting closer to the management viewpoint is the announcement that the Department of Commerce will make every effort to get current statistics into users' hands a whole week earlier than they have been supplied heretofore, by the judicious use of a little overtime at the week-ends. This has been promised before and not done. It is to be hoped it will be done this time.

Regardless of the problems uppermost in our minds at any moment, this whole emphasis on

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The Trend of Events

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more current data will make statistics more and more a tool for the doer and less exclusively a plaything for the ponderer.

DOUBLE BASIS FOR FIGURING EARNINGS . . . Under modern tax conditions, investors are compelled to look more deeply into earnings statements than ever before, if they are to obtain a more realistic picture. Under former conditions, it was perfectly possible to accept earnings at so many dollars per share as being fairly close to the actual situation, after making appropriate deductions for income taxes and normal appreciation charges. Under the new tax law, corporations will be permitted to charge off additional substantial amounts for depreciation which will tend to make earnings look lower than they actually are. Also for corporations which are heavily affected by high current charges under the provision for accelerated amortization, more sums will be deducted from the amounts which otherwise would have gone to earnings. The combination of the two factors is likely to distort the earnings picture for many companies and many investors, may be disappointed in making comparisons with previous years, to find that earnings have not increased or actually declined though the volume of the companies' profits before taxes has remained high. This is an anomaly they will have to consider.

A new situation, therefore, has developed in which investors must pay as much attention to "cash" earnings—that is, earnings before taxes, depreciation and accelerated amortization – as to stated earnings. In an important sense, the investor will gain as the new permissible extraordinary charges for depreciation and accelerated amortization gives the company an added opportunity to build up cash reserves to a substantial extent. This will increase the security of the rate of dividend payments even though the stated rate of earnings, on face, may not seem extraordinarily high.

As I See It!

(*Continued from page* 61)

that the history of international agreements, no matter how sound they may have seemed at the time, are subject to revision and, more than once, to complete abandonment, even by their original sponsors. With this in mind, it follows that while the United States should enter into any regional commitment that will help protect its interests and those of its allies, it should nevertheless pursue the course of wisdom and rely mainly on its own strength. As we have said many times, the United States owes it to itself and the free world to maintain the strongest possible military establishment and never to let its guard down, no matter how many treaties are signed. This will be our best and most effective insurance against aggression.—END

To What Extent Is Market Ahead of Business?

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most steels will be under last ever, recent buying of steels has shown considerable discrimination along special-situation lines, with many issues lagging. The "spotlight" steels at this writing are Armco, which nearly always operates at a rate well above that of the industry, which will substantially better its 1953 net of $6.50 a share, whereas profits of

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BOOK REVIEW

Confederate Agent

A Discovery in History

By JAMES D. HORAN

This is the astounding story – never before told – of the great Confederate Conspiracy that came close to destroying the Union from within, and of its mastermind, Captain Thomas H. Hines, C.S.A.

It was 1864, in the Confederacy's eleventh hour, that Jefferson Davis commisisoned Hines as the military leader of a secret and desperate mission. That was the beginning of an amaing chaptezr of American history, the details of which are here disclosed for the first time.

Before Hines was finished, Illinois, Indiana and Ohio were ready to join the Confederacy. A secret army of 100,000 was ready to strike. Chicago was on the brink of rebellion. Fifteen New York City hotels were in flames. Great numbers of troops had to be diverted from Grant's command. And there were scores of almost incredible feats of personal valor, such as the rescue of General John Hunt Morgan from the Ohio Penitentiary, the almost successful kidnapping of Vice President-elect Johnson, the burning of Federal transports at St. Louis, etc.

Confederate Agent is a significant discovery in history, making clear and fitting in the missing pieces of one of the greatest adventures of the Civil War. It is based on unassailable documents which the author was the first to examine and study: The U. S. War Department's Civil War conspiracy files contained in the Baker-Turner papers which had been sealed for 90 years, Captain Hines's own secret reports and diaries which had never been published, and many other records, papers and documents made available to the author by descendants of the chief conspirators.

Crown $5.00

Biography of a Bank

By MARQUIS JAMES *and* BESSIE ROWLAND JAMES

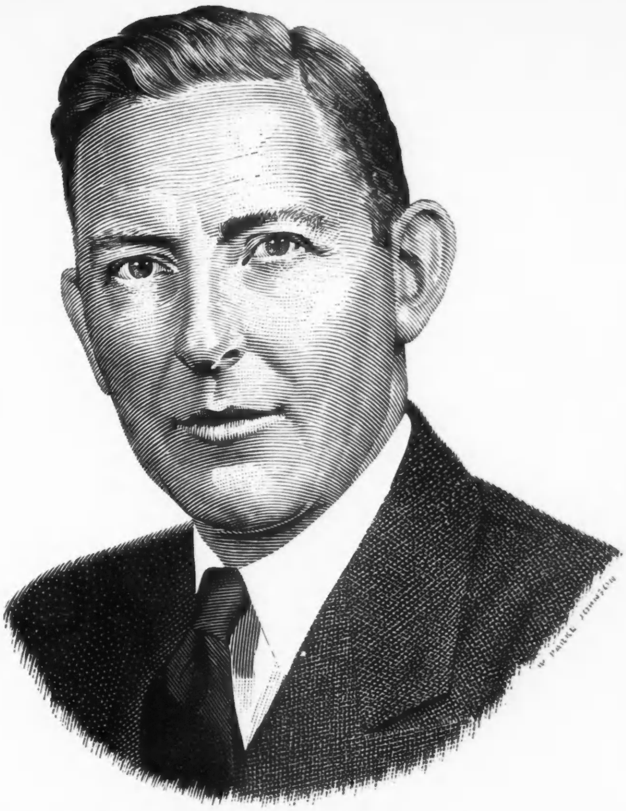
This is the story of the world's largest bank, and the amazing careers of the Gianninis, father and son, who trampled on old-fashioned conventions to make Bank of America not only a mighty institution but the servant of millions of plain people as well.

With headquarters in San Francisco, Amadeo Peter Giannini began his Bank of Italy with numbers of small farmers, mostly of Italian descent. By 1930, when the name changed to Bank of America, he had blazed a trail up and down California, developing local agriculture and commerce through his system of strong branch banks. With unwavering faith in the importance of the ordinary depositor, Giannini launched a new force in financial history, and sustained it in battle against government officials and the titans of Wall Street.

Today, with five million accounts and over eight billion dollars in assets, Bank of America is proof of the soundness of those policies.

Harper $5.00

"...through a person-to-person canvass..."



ROBERT S. MACFARLANE
President
Northern Pacific Railway Company

"Combine a good product with enthusiastic salesmanship, capably directed, and favorable results are reasonably certain. This winning combination through a person-to-person canvass recently added more than 8,000 employees of the Northern Pacific Railway to the Payroll Savings Plan for purchase of U. S. Savings Bonds. It is gratifying to me that the organized efforts of Northern Pacific personnel not only have resulted in substantially increased systematic saving and a greater investment in America's future by our employees, but that the Treasury Department is using our campaign as an example throughout the railroad industry in its efforts to step up regular purchases through payroll deductions."

The U. S. Savings Bond *is* a good product . . . Payroll Savers *are* enthusiastic Bond Salesmen . . . company spirit *was* good because everybody on the Road knew that Mr. Macfarlane was 100% behind the effort to increase employee participation in Northern Pacific's Payroll Savings Plan.

But, there was still another, and very important, factor in the success of Northern Pacific's campaign that added more than 8,000 new Payroll Savers – a Person-to-Person Canvass.

A good Person-to-Person Canvass is an organized employee effort that puts a Payroll Savings Application Blank in the hands of every man and woman in the company. There is no pressure, no drive to "sign up." Every employee is free to make his own decision. That's all there is to a Person-to-Person Canvass, but in literally thousands of companies, as on the Northern Pacific, a high percentage of employees *want* to build their personal security and are quick to join the Payroll Savings Plan when its availability and many advantages are brought to their personal attention.

Upwards of 8,000,000 employed men and women are enrolled in the Payroll Savings Plan, most of them as a result of Person-to-Person Canvasses. Each month these Payroll Savers invest more than $160,000,000. The 1954 goal is 9,000,000 Payroll Savers. It can be reached if you and other executives will take a personal interest in the Plan and what it means to your employees, your company and your country.

If your company has the Payroll Savings Plan your State Director will be glad to help you organize a Person-to-Person Canvass that should increase employee participation to 50%, 60% or more. If you do not have a plan he will show you how easy it is to install one. Write to Savings Bond Division, U. S. Treasury Department, Washington, D. C.

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To What Extent is Market Ahead of Business?

(*Continued from page* 118)

year's, and which might raise its $3 dividend; the speculative Pittsburgh Steel, aided by the management's projection of a capacity operating rate by mid-October and by the fact of high per-share earning power (relative to the stock's price around 20) on a capacity basis; and U. S. Steel. The latter may net around $6 a share this year, appreciably under last year's profit; but many buyers of the stock are "betting" that the $3 dividend rate will be raised by at least 50 cents, perhaps by $1.

In steels, more than in other groups, the emphasis is on cash earnings. Due to accelerated amortization and the tapering off of capital outlays, the inflow of retainable cash is heavy and figures importantly in dividend prospects. Due to the special 27½% depletion allowance for tax purposes, oils have long enjoyed cash earnings much above profits reported to shareholders; but, because of continuing heavy plowbacks, few pay much, if any, more than half of stated net in dividends, and some pay out a small fraction of net.

We do not expect the averages to "fall out of bed" if the Republicans lose Congress. But they could react materially, before or after such event. Until they do react to make good stocks somewhat more attractive on a yield basis, some institutional and other long-pull investment buying will no doubt be deferred. Regardless of what the averages do, it will remain a selective market as the unending search for special-situation opportunities continues. You should hold reasonable reserves; and put emphasis on quality and potentials of individual stocks in making any portfolio adjustments.

As we are now entering the period of the year when tax considerations play an increasingly important part in the market, some weight should be given by investors to the prospect that the movement of individual stocks may be guided to a larger extent than normal by purely technical factors arising from tax adjustments. This is especially likely to be the case with issues that are being sold in order to register tax losses. For that reason, low-priced issues and issues which have lagged behind in this year's rising market may be particularly subject to some selling pressure until the end of the year. Under the circumstances, it is not likely that purchases in these categories will prove rewarding until tax-selling pressure is removed with the turn of the year.

By the same token, issues which have had very large advances this year are likely to find a sustaining influence in the reluctance of investors to accept large profits which would, in turn, oblige them to pay a 25% capital gains tax. In instances, and there are many of them, where stocks have scored advances of 30, 40 and 50 points and more, few investors get enthusiastic about handing over to the tax collector 25% or more of these profits, depending on whether they are short or long-term.

This is especially true where stocks have been held for years and now form a permanent part of the capital. If, for example, the investor should now have a $50,000 increment in his capital after many years of holding these issues, he is going to think twice, at least, before giving up a large part of what he has come to consider capital gain, not profit. The same reasoning, of course, applies to investment trusts and other large fiduciary investors. The result, naturally, is to keep a large volume of stock off the market, despite the tempting profits that may have accrued.

The technical process flowing out of tax considerations have the inevitable result of distorting values in many instances. Thus, individual stocks may be selling at prices higher than they merit, because of the artificial influence of taxes. Contrariwise, individual issues in the less favored groups may be selling at undeservedly low prices, mainly because of the influence of the tax factor. This influence, naturally, is more predominant in the last weeks of the year. For that reason, investors in the next few weeks should be careful to keep even closer watch than usual over earnings and dividend trends affecting their specific holdings in order that their judgment as to the fundamental status of their investments be not too much influenced by temporary technical factors — Monday, October 11.

STATEMENT REQUIRED BY THE ACT OF AUGUST 24, 1912, AS AMENDED BY THE ACTS OF MARCH 3, 1933, AND JULY 2, 1946 (Title 39, United States Code, Section 233) SHOWING THE OWNERSHIP, MANAGEMENT, AND CIRCULATION OF

THE MAGAZINE OF WALL STREET and BUSINESS ANALYST published Bi-weekly at New York, N. Y., for October 1, 1954.

1. The names and addresses of the publisher, editor, managing editor and business managers are:

Publisher—C. G. Wyckoff, 90 Broad Street, New York 4, N. Y.

Editor—C. G. Wyckoff, 90 Broad Street, New York 4, N. Y.

Managing Editor—E. D. King, 90 Broad Street, New York 4, N. Y.

Business Manager—None.

2. The owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding 1 percent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a partnership or other unincorporated firm, its name and address, as well as that of each individual member, must be given.)

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4. Paragraphs 2 and 3 include, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting; also the statements in the two paragraphs show the affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner.

5. The average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the 12 months preceding the date shown above was: (This information is required from daily, weekly, semiweekly, or triweekly newspapers only.)

(signed) C. G. WYCKOFF
Publisher

STATE OF NEW YORK }
COUNTY OF NEW YORK }

Sworn to and subscribed before me this 15th day of September, 1954.

(*signed*) ABRAHAM SCHWA[illegible]
Notary Public
State of New York
No. 03-8868125
Qualified in Bronx County

[Seal]
(My Commission Expires March 30, 1956)

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